Government of Canada
Gouvernement du Canada

Prepared by the
Receiver General for Canada

# Public Accounts of Canada

# 2008

## Volume I

## Summary Report and Financial Statements

Canada

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*To Her Excellency*

The Right Honourable Michaëlle Jean,
C.C., C.M.M., C.O.M., C.D.,
*Governor General and*
*Commander-in-Chief of Canada*

May it please your Excellency:

I have the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 2008.

All of which is respectfully submitted.

Vic Toews, P.C., Q.C., M.P.
*President of the Treasury Board*

Ottawa, October 9, 2008

To The Honourable Vic Toews, P.C., Q.C., M.P.
*President of the Treasury Board*

Sir:

In accordance with the provisions of section 64(1) of the *Financial Administration Act*, I have the honour to transmit herewith the *Public Accounts of Canada* for the year ended March 31, 2008, to be laid by you before the House of Commons.

Respectfully submitted,

Christian Paradis, P.C., M.P.
*Receiver General for Canada*

Ottawa, October 9, 2008

To The Honourable Christian Paradis, P.C., M.P.
*Receiver General for Canada*

Sir:

I have the honour to submit the *Public Accounts of Canada* for the year ended March 31, 2008.

Under section 64(1) of the *Financial Administration Act*, the *Public Accounts of Canada* for each fiscal year shall be prepared by the Receiver General and shall be laid before the House of Commons by the President of the Treasury Board on or before the thirty-first day of December next following the end of that year, or if the House of Commons is not then sitting, within the first fifteen days next thereafter that the House of Commons is sitting.

This annual report is presented in three volumes:

Volume I—The financial statements of Canada on which the Auditor General has expressed an opinion and provided her observations; a discussion and analysis of the financial statements and a ten-year comparison of financial information; analyses of revenues and expenses, and of asset and liability accounts; and various other statements;

Volume II—Details of the financial operations of the Government, segregated by ministry; and

Volume III—Additional information and analyses.

Respectfully submitted,

François Guimont
*Deputy Receiver General for Canada*

Ottawa, October 9, 2008

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# VOLUME I

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

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# INTRODUCTION TO THE *PUBLIC ACCOUNTS OF CANADA*

## Nature of the *Public Accounts of Canada*

The *Public Accounts of Canada* is the report of the Government of Canada prepared annually by the Receiver General, as required by section 64 of the *Financial Administration Act*. It covers the fiscal year of the Government, which ends on March 31.

The information contained in the report originates from two sources of data:

- the summarized financial transactions presented in the accounts of Canada, maintained by the Receiver General; and
- the detailed records, maintained by departments and agencies.

Each department and agency is responsible for reconciling its accounts to the control accounts of the Receiver General, and for maintaining detailed records of the transactions in their accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

## Format of the *Public Accounts of Canada*

The *Public Accounts of Canada* is produced in three volumes.

**Volume I** presents the audited financial statements of the Government, as well as additional financial information and analyses;

**Volume II** presents the financial operations of the Government, segregated by ministry; and

**Volume III** presents supplementary information and analyses.

# SECTION 1

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

# Financial Statements Discussion and Analysis

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**NOTE TO READER**

An overview of the financial operations of the Government of Canada is provided in the ***Annual Financial Report*** prepared by the Department of Finance. This Report also includes condensed financial statements.

Accompanying this Report are historical fiscal reference tables and related fiscal indicators for the federal government and the provinces.

The ***Annual Financial Report*** is available on the Internet at http://www.fin.gc.ca/.

# FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS

## Introduction

The *Public Accounts of Canada* is a major accountability report of the Government of Canada. This section, together with the other sections in this volume and in Volumes II and III of the *Public Accounts of Canada*, provide detailed supplementary information in respect of matters reported in the audited financial statements in Section 2 of this volume. Further discussion and analysis of the Government's financial results can be found in the *Annual Financial Report of the Government of Canada – Fiscal Year 2007-2008*, available on the Department of Finance's website.

This discussion and analysis of the financial statements has been prepared under the joint direction of the Minister of Finance, the President of the Treasury Board and the Receiver General for Canada. Responsibility for the integrity and objectivity of the financial statements, however, rests with the Government. A glossary of terms used in this financial statement discussion and analysis is provided at the end of this section.

## 2007-2008 Financial Highlights

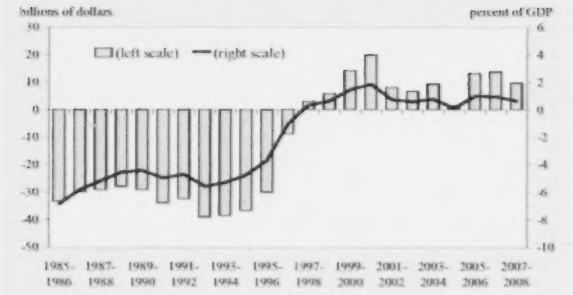
- A budgetary surplus of $9.6 billion was achieved in 2007–2008, marking the 11th consecutive year the Government has recorded a surplus.
- The surplus was $0.6 billion lower than estimated in the February 2008 Budget. Revenues were $2.1 billion lower than forecast while program expenses were $1.7 billion lower than forecast. Public debt charges were $0.2 billion higher than estimated.
- The surplus was $6.3 billion higher than projected in the March 2007 Budget. Budgetary revenues were $5.7 billion, or 2.4 percent, higher than forecast, reflecting stronger-than-expected economic growth, a higher-than-projected average effective tax yield and higher-than-expected non-tax revenues. Program expenses were $0.1 billion lower than planned. Within program expenses, operating expenses of ministries and Crown corporations were $1.7 billion higher than expected, while transfer payments were $1.8 billion lower than expected. Public debt charges were $0.5 billion lower than planned due to lower-than-anticipated levels of market debt.
- The accumulated deficit (the difference between total liabilities and total assets) stood at $457.6 billion as of March 31, 2008, a decline of $105.2 billion from its peak of $562.9 billion as of March 31, 1997. The accumulated deficit-to-GDP (gross domestic product) ratio was 29.8 percent, down sharply from its peak of 68.4 percent as of March 31, 1996, and was at its lowest level since March 31, 1981.
- Net debt, a subcomponent of the accumulated deficit representing the difference between total liabilities and financial assets, stood at $516.3 billion at the end of 2007-2008, down $92.7 billion from its peak of $609.0 billion at the end of 1996-1997.
- Budgetary revenues totalled $242.4 billion in 2007-2008, an increase of $6.5 billion or 2.7 percent from 2006-2007. The year-over-year increase primarily reflected higher income tax revenues as well as higher other program revenues, partially offset by a decline in goods and services tax (GST) revenues, due to the impact of the July 1, 2006, and January 1, 2008, GST rate reductions. The revenue-to-GDP ratio stood at 15.8 percent in 2007-2008, down from 16.3 percent in 2006-2007.
- Program expenses amounted to $199.5 billion in 2007-2008, an increase of $11.2 billion or 6.0 percent from 2006-2007. The rise in program expenses was attributable to an increase in both transfer payments and operating expenses in 2007-2008. The program expenses-to-GDP ratio remained unchanged from the prior year at 13.0 percent.
- Public debt charges totalled $33.3 billion in 2007-2008, down from $33.9 billion in 2006-2007. The $0.6-billion, or 1.8-percent, decline over the prior year was largely attributable to a lower stock of market debt and slightly lower interest rates. As a percentage of total budgetary revenues, public debt charges stood at 13.7 percent in 2007-2008, down from the peak of 37.6 percent in 1990-1991. The ratio is now at its lowest level since the mid-1970s.

## Discussion and Analysis

### The Budgetary Balance

The following graph illustrates the Government's budgetary balance since 1985-1986. The budgetary balance reflects economic developments and policy decisions. To enhance the comparability of results over time and across jurisdictions, the budgetary balance and its components are often presented as a percentage of GDP. On this basis, the budgetary balance has been positive since 1997-1998. Program expenses as a percentage of GDP declined from 17.2 percent to 13.0 percent over this period. Budgetary revenues as a percentage of GDP increased over the period 1985-1986 to 2000-2001 to reach 18.1 percent. This ratio has declined in recent years, reflecting the impact of tax reduction measures. The ratio stood at 15.8 percent in 2007-2008, its lowest level since 1985-1986. Public debt charges declined from 5.7 percent in 1985-1986 to 2.2 percent in 2007-2008, reflecting the decline in interest-bearing debt, due to the improvement in the budgetary balance and a decline in interest rates.

**Annual Surplus/Deficit**




The surplus of $9.6 billion in 2007-2008 was $4.2 billion lower than in 2006-2007. Budgetary revenues advanced by $6.5 billion, due primarily to growth in income tax revenues, as well as an increase in other non-tax revenues, partially offset by a decrease in GST revenues due to the impact of the July 1, 2006, and January 1, 2008, GST rate reductions.

**2007-2008 Financial Highlights**

| | 2007-2008 | | 2006-2007 |
|---|---|---|---|
| | Budget | Actual | Actual |
| | (in billions of dollars) | | |
| **Statement of Operations** | | | |
| Revenues | 236.7 | 242.4 | 236.0 |
| Expenses— | | | |
| Program expenses | -199.6 | -199.5 | -188.3 |
| Public debt charges | -33.8 | -33.3 | -33.9 |
| Total expenses | -233.4 | -232.8 | -222.2 |
| ***Annual surplus*** | ***3.3*** | ***9.6*** | ***13.8*** |
| **Statement of Financial Position** [1] | | | |
| Liabilities— | | | |
| Interest-bearing debt | 601.6 | 581.9 | 599.3 |
| Other | 101.7 | 110.5 | 106.5 |
| Total liabilities | 703.3 | 692.3 | 705.8 |
| Financial Assets | 176.3 | 176.0 | 181.9 |
| ***Net debt*** | ***527.0*** | ***516.3*** | ***523.9*** |
| Non-financial assets | 57.7 | 58.6 | 56.6 |
| ***Accumulated deficit*** | ***469.3*** | ***457.6*** | ***467.3*** |

Note: Totals may not add due to rounding.

[1] Budget 2007 forecast of assets and liabilities was based on estimated results for 2006-2007 as final results for 2006-2007 were not available at that time.

Program expenses rose by $11.2 billion in 2007-2008. The increase was attributable to both higher transfers and other program expenses. Transfer payments increased by $6.4 billion over the prior year, attributable to an increase in the Guaranteed Income Supplement, largely reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed, as well as increased federal transfer support for health and other social programs. Other program expenses increased by $4.8 billion in 2007-2008, reflecting the impact of previous budget measures, such as the Canada First Defence Strategy, as well as increases in the cost of ongoing operations. Public debt charges decreased by $0.6 billion, due to a reduction in the stock of market debt and a slight decline in the average effective interest rate on that stock.

The 2007-2008 surplus was $6.3 billion higher than the March 2007 Budget projection of $3.3 billion. The Budget 2007 projection for 2007-2008 was prepared before the final results for the 2006-2007 fiscal year were known. Budgetary revenues were $5.7 billion, or 2.4 percent, higher than projected, reflecting stronger-than-expected economic growth, a higher-than-projected average effective tax yield and higher-than-expected non-tax revenues. Program expenses were $0.1 billion lower than planned in the 2007 Budget, while public debt charges were $0.5 billion lower than projected, due to a higher-than-expected decrease in the stock of market debt.

**Comparison of Outcomes to February 2008 Budget**

| | Budget | Actual | Difference |
|---|---|---|---|
| | (in billions of dollars) | | |
| Revenues | 244.5 | 242.4 | -2.1 |
| Expenses— | | | |
| Program expenses | -201.2 | -199.5 | 1.7 |
| Public debt charges | -33.1 | -33.3 | -0.2 |
| Total expenses | -234.3 | -232.8 | 1.5 |
| ***Annual surplus*** | ***10.2*** | ***9.6*** | ***-0.6*** |

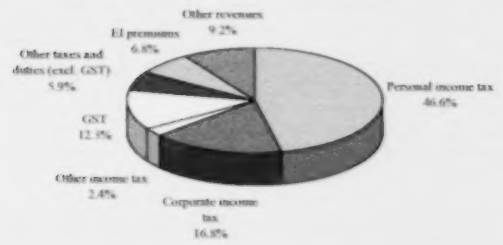
Note: Totals may not add due to rounding.

The 2007-2008 surplus was $0.6 billion lower than the $10.2-billion surplus forecast in Budget 2008. Revenues were $2.1 billion lower than expected, due largely to lower-than-expected corporate income tax and GST revenues. Program expenses were $1.7 billion lower than estimated in Budget 2008, reflecting a higher-than-anticipated lapse in departmental spending. Public debt charges were $0.2 billion higher than forecast, due to a slightly higher-than-expected average effective interest rate on the stock of interest-bearing debt.

## Budgetary Revenues

The largest source of federal revenues is personal income tax revenues, which as a share of total revenues has been relatively stable since 1990-1991, averaging about 47 percent. In contrast, corporate income tax revenues have increased from a low of 5.7 percent of total revenues in 1992-1993 to 16.8 percent in 2007-2008, due in part to the run-up in corporate profits' share of GDP to the historically high level of about 13 percent in 2007. Employment Insurance premium revenues have declined significantly as a share of total revenues in recent years, from their peak of 15.6 percent in 1993-1994 to 6.8 percent in 2007-2008, reflecting ongoing annual reductions in Employment Insurance premium rates. Although excise taxes and duties have averaged about 20 percent of total revenue over the last 18 years, there has been a shift towards GST revenues and away from other excise taxes and duties. Beginning in 2006-2007, this trend reversed due to the impact of the 1-percentage-point decrease in the GST rate effective July 1, 2006. This reversal continued into 2007-2008 as a result of the further 1-percentage-point reduction in the GST rate effective January 1, 2008.

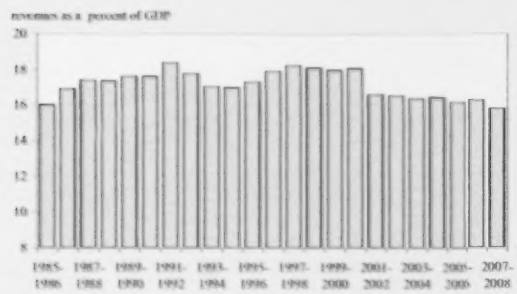
**Composition of Revenues for 2007-2008**




The revenue-to-GDP ratio represents a measure of the overall federal tax burden in that it compares total federal revenues to the size of the economy. It should be noted that as some components of income subject to taxation are excluded from Statistics Canada's measure of GDP, such as capital gains and income from trusteed pension plans, the ratio overstates the underlying tax burden. Apart from discretionary policy actions, this ratio is significantly influenced by economic developments. Absent policy changes, it tends to decline during economic downturns and to increase during recoveries, reflecting the progressive nature of the tax system and the cyclical nature of corporate profits and capital gains.

The ratio has been declining gradually since 2001-2002, and is down significantly from an average ratio of 18 percent over the period 1996-1997 to 2000-2001. This decline is due primarily to tax reduction measures. The ratio stood at 15.8 percent of GDP in 2007-2008, down 0.5 percentage points from 2006-2007, reflecting the impact of tax relief measures announced in Budget 2007 and the October 2007 Economic Statement.

**Revenue Ratio**




## Revenues Compared to 2006-2007

The following table compares the actual results for budgetary revenues for 2007-2008 to 2006-2007.

**Revenues**

| | 2007-08 | 2006-07 | Change Absolute | Change Percent |
|---|---|---|---|---|
| | (in millions of dollars) | | | % |
| **Income tax revenues—** | | | | |
| Personal | 113,063 | 110,477 | 2,586 | 2.3 |
| Corporate | 40,628 | 37,745 | 2,883 | 7.6 |
| Other income tax revenues | 5,693 | 4,877 | 816 | 16.7 |
| Total | 159,384 | 153,099 | 6,285 | 4.1 |
| **Other taxes and duties—** | | | | |
| Goods and services tax | 29,920 | 31,296 | -1,376 | -4.4 |
| Energy taxes | 5,139 | 5,128 | 11 | 0.2 |
| Customs import duties | 3,903 | 3,704 | 199 | 5.4 |
| Other excise taxes and duties | 5,245 | 5,189 | 56 | 1.1 |
| Total | 44,207 | 45,317 | -1,110 | -2.4 |
| **Employment insurance premiums** | 16,558 | 16,789 | -231 | -1.4 |
| **Other revenues—** | | | | |
| Crown corporation revenues | 6,504 | 7,503 | -999 | -13.3 |
| Other program revenues | 13,895 | 11,544 | 2,351 | 20.4 |
| Foreign exchange net revenues | 1,872 | 1,714 | 158 | 9.2 |
| Total | 22,271 | 20,761 | 1,510 | 7.3 |
| **Budgetary revenues** | **242,420** | **235,966** | **6,454** | **2.7** |

Total budgetary revenues increased $6.5 billion in 2007-2008, due primarily to higher income tax revenues as well as higher other program revenues, partially offset by a decline in goods and services tax (GST) revenues, due to the impact of the July 1, 2006, and January 1, 2008, GST rate reductions.

Personal income tax revenues, the largest component of budgetary revenues, were up $2.6 billion, or 2.3 percent. This reflected solid growth in employment and wages and salaries combined with the progressive nature of the personal income tax system. These factors pushing up revenues were partially offset by tax relief measures announced in the October 2007 Economic Statement, the March 2007 budget and the October 2006 Tax Fairness Plan. Corporate income tax revenues were up $2.9 billion, or 7.6 percent, over 2006-2007, in line with ongoing growth in corporate taxable income. Other income tax receipts – largely withholding taxes levied on non-residents – were up $0.8 billion, or 16.7 percent, in 2007-2008. Non-resident withholding taxes can be affected by a number of factors, including growth in corporate profits and foreign direct investment in Canada.

Other taxes and duties decreased by $1.1-billion, or 2.4-percent, over the prior year, driven by a $1.4 billion, or 4.4 percent, drop in GST revenues. This reflects the impact of the two reductions in the GST rate, from 7 percent to 6 percent effective July 1, 2006, and the subsequent reduction to 5 percent effective January 1, 2008. Other excise taxes and duties increased by $0.1 billion, or 1.1 percent, energy taxes increased by $11 million, or 0.2 percent, and customs import duties rose $0.2 billion, or 5.4 percent.

Employment Insurance premium revenues declined $0.2 billion, or 1.4 percent, from the previous year, reflecting the reductions in premium rates on January 1, 2007 and January 1, 2008, which more than offset growth in employment and wages and salaries during the year. Other revenues rose by $1.5 billion, or 7.3 percent in 2007-2008. This increase primarily reflects strong growth in re-

ceipts under the Atlantic Offshore Revenue Accounts, resulting from strong growth in offshore production and oil prices. This revenue is transferred to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords, such that there is no net impact on the budgetary balance. These gains were partially offset by a decline in Crown corporation revenues, which was largely due to lower operating profits of Export Development Canada.

**Revenues Compared to March 2007 Budget Plan**

For the 2007-2008 fiscal year, revenues were $5.7 billion, or 2.4 percent, higher than forecast in the March 2007 budget, as higher-than-expected corporate, other income tax and other program revenues were partially offset by lower-than-expected personal income tax revenues. This reflects stronger-than-expected economic growth, combined with a higher-than-projected average effective tax yield overall, partially offset by tax reduction measures announced in the October 2007 Economic Statement. These measures reduced revenues in 2007-2008 by an estimated $4.8 billion.

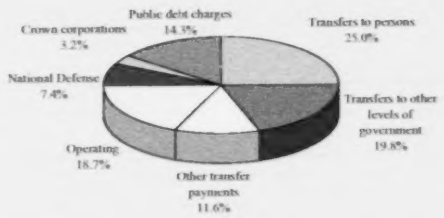
**Revenues Compared to March 2007 Budget**

| | Budget | Actual | Difference |
|---|---|---|---|
| | (in millions of dollars) | | |
| **Income tax revenues—** | | | |
| Personal | 115,180 | 113,063 | -2,117 |
| Corporate | 36,315 | 40,628 | 4,313 |
| Other income tax revenues | 4,670 | 5,693 | 1,023 |
| Total | 156,165 | 159,384 | 3,219 |
| **Other taxes and duties—** | | | |
| Goods and services tax | 30,075 | 29,920 | -155 |
| Energy taxes | 5,420 | 5,139 | -281 |
| Customs import duties | 3,590 | 3,903 | 313 |
| Other excise taxes and duties | 5,080 | 5,245 | 165 |
| Total | 44,165 | 44,207 | 42 |
| **Employment insurance premiums** | 16,150 | 16,558 | 408 |
| **Other revenues—** | | | |
| Crown corporation revenues | 6,490 | 6,504 | 14 |
| Other program revenues | 11,815 | 13,895 | 2,080 |
| Foreign exchange net revenues | 1,905 | 1,872 | -33 |
| Total | 20,210 | 22,271 | 2,061 |
| **Budgetary revenues** | **236,690** | **242,420** | **5,730** |

## Total Expenses

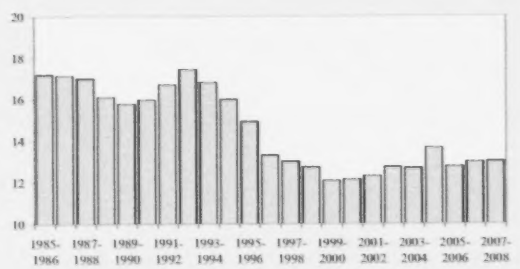
Major transfers to persons, consisting of elderly benefits, Employment Insurance benefits, the Canada Child Tax Benefit and the Universal Child Care Benefit, represent the largest major component of total federal expenses, at roughly 25 percent. This is followed by major transfers to other levels of government (Canada Health Transfer and Canada Social Transfer, fiscal arrangements and other transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs), at close to 20 percent, and ministries' operating expenses, excluding National Defence, at roughly 19 percent. Public debt charges fell from 15.3 percent of total expenses in 2006-2007 to 14.3 percent in 2007-2008. There has been a dramatic shift in the composition of total expenses since the early 1990s. Public debt charges was the largest component for most of the 1990s, given the large and increasing stock of interest-bearing debt and high average effective interest rates on that stock. With 11 consecutive annual surpluses and a reduction in interest rates, its share has fallen over 15 percentage points from a high of nearly 30 percent of total expenses in 1996-1997.

**Composition of Expenses for 2007-2008**



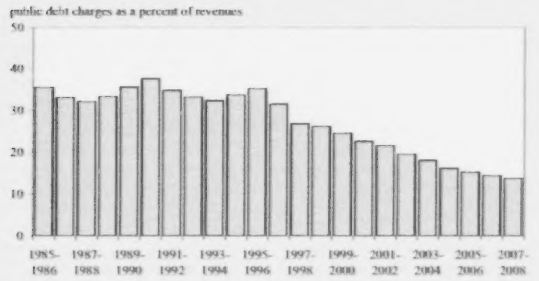

Program expenses as a share of GDP stood at 13.0 percent in 2007-2008, unchanged from 2006-2007.

**Program Expense-to-GDP Ratio**




The interest ratio (public debt charges as a percentage of budgetary revenues) has been decreasing in recent years, falling from 37.6 percent in 1990-1991 to 13.7 percent in 2007-2008. This ratio means that, in 2007-2008, the Government spent just under 14 cents of every revenue dollar on interest on the public debt. This is money that is required to meet the Government's ongoing debt-financing obligations. The lower the ratio, the more flexibility the Government has to address the key priorities of Canadians.

**The Interest Ratio**




### Expenses Compared to 2006-2007

The following table compares the actual results for total expenses for 2007-2008 to 2006-2007.

**Expenses**

| | | | Change | |
|---|---|---|---|---|
| | 2007-08 | 2006-07 | Absolute | Percent |
| | (in millions of dollars) | | | % |
| **Transfer payments—** | | | | |
| Major transfers to persons— | | | | |
| Elderly benefits | 31,955 | 30,284 | 1,671 | 5.5 |
| Employment insurance benefits | 14,298 | 14,084 | 214 | 1.5 |
| Children's benefits | 11,894 | 11,214 | 680 | 6.1 |
| Total | 58,147 | 55,582 | 2,565 | 4.6 |
| Major transfers to other levels of government— | | | | |
| Federal transfer support for health and other social programs | 31,346 | 28,640 | 2,706 | 9.4 |
| Fiscal arrangements and other transfers | 17,526 | 17,051 | 475 | 2.8 |
| Alternative payments for standing programs | -2,720 | -3,177 | 457 | -14.4 |
| Total | 46,152 | 42,514 | 3,638 | 8.6 |
| Other transfer payments | 27,032 | 26,844 | 188 | 0.7 |
| **Total transfer payments** | **131,331** | **124,940** | **6,391** | **5.1** |
| **Other program expenses—** | | | | |
| Crown corporations | 7,340 | 7,211 | 129 | 1.8 |
| National Defence | 17,331 | 15,732 | 1,599 | 10.2 |
| All other departments and agencies | 43,496 | 40,386 | 3,110 | 7.7 |
| Total other program expenses | 68,167 | 63,329 | 4,838 | 7.6 |
| **Program expenses** | **199,498** | **188,269** | **11,229** | **6.0** |
| Public debt charges | 33,325 | 33,945 | -620 | -1.8 |
| **Total expenses** | **232,823** | **222,214** | **10,609** | **4.8** |

Total expenses amounted to $232.8 billion in 2007-2008, up $10.6 billion, or 4.8 percent, from 2006-2007. Program expenses increased by $11.2 billion, while public debt charges were $0.6 billion lower, reflecting a decrease in the stock of market debt and a slight decrease in average effective interest rates.

Major transfers to persons increased by $2.6 billion, largely attributable to higher elderly benefits and children's benefits. The $1.7-billion increase in the former reflects growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. The $0.7-billion increase in children's benefits largely reflects the introduction of the Universal Child Care Benefit program part way through the 2006-2007 fiscal year, in July 2006. Employment Insurance benefits grew by $0.2 billion, or 1.5 percent.

Major transfers to other levels of government increased by $3.6 billion over the previous year, largely reflecting legislated growth in the Canada Health Transfer, as well as increases in the Canada Social Transfer and Equalization introduced in Budget 2007. Alternative Payments for Standing Programs, which are netted against major transfers to other levels of government, decreased by $0.5 billion in 2007-2008, resulting in a corresponding increase in transfer payments. Alternative Payments for Standing Programs are a recovery from the Province of Quebec for an additional tax point transfer (13.5 points) above and beyond the Canada Health Transfer and Canada Social Transfer tax point transfer. The $0.5-billion decrease in this recovery was due to a decrease in the value of personal income tax points in 2007-2008 compared with 2006-2007.

Other transfer payments, which include transfers to First Nations and Aboriginal peoples, assistance to farmers and students, support for research and development and foreign aid and international assistance, increased by $0.2 billion over the prior year. This growth largely reflects increased transfers to Newfoundland and Labrador and Nova Scotia under the Offshore Accords, increased payments related to investments in infrastructure announced in Budget 2007, and improvements to veterans' benefits announced in Budget 2007 and Budget 2008. The overall growth in other transfer payments was relatively modest, as the 2006-2007 results were boosted by certain one-time transfers including $0.5 billion in payments to U.S. interests under the Canada-U.S. Softwood Lumber Agreement and a $0.4-billion transfer to agricultural producers in support of the Cost of Production Benefit.

Other program expenses increased from $63.3 billion in 2006-2007 to $68.2 billion in 2007-2008. These expenses consist of transfers to Crown corporations and operating expenses of departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. The $4.8-billion increase in this spending component reflects the impact of previous budget measures, such as the Canada First Defence Strategy, as well as growth in the cost of ongoing operations.

### Expenses Compared to March 2007 Budget Plan

For 2007-2008, total expenses were $0.6 billion lower than projected in the March 2007 Budget, with program expenses $0.1 billion lower than forecast and public debt charges $0.5 billion lower than forecast. The lower-than-forecast program expenses were attributable to lower-than-expected other transfer payments, partially offset by higher-than-forecast transfers to other levels of government and ministries' operating expenses. The lower-than-forecast public debt charges were attributable to a larger-than-expected decline in the stock of market debt.

Within program expenses, transfer payments were $1.8 billion lower than projected. Lower-than-forecast other transfer payments and Employment Insurance benefits were partially offset by higher-than-forecast transfers to other levels of government. Employment Insurance benefits were $0.5 billion lower than forecast

in Budget 2007 as the number of unemployed was lower than projected. Major transfers to other levels of government were $2.6 billion higher than forecast, due largely to transfers to provinces and territories announced in Budget 2008, including $0.5 billion for the Public Transit Capital Trust, $0.4 billion for the Police Officers Recruitment Fund and $0.2 billion for carbon capture and storage, as well $1.0 billion for the Community Development Trust announced in January 2008.

Other transfer payments were $4.1 billion lower than forecast in Budget 2007, in part reflecting a higher-than-expected lapse in departmental spending. Operating expenses of Crown corporations, departments and agencies were $1.7 billion, or 2.6 percent, higher than forecast.

**Expenses Compared to March 2007 Budget**

| | Budget | Actual | Difference |
|---|---|---|---|
| | (in millions of dollars) | | |
| **Transfer payments—** | | | |
| Major transfers to persons— | | | |
| Elderly benefits | 31,960 | 31,955 | -5 |
| Employment insurance benefits | 14,840 | 14,298 | -542 |
| Children's benefits | 11,740 | 11,894 | 154 |
| Total | 58,540 | 58,147 | -393 |
| Major transfers to other levels of government— | | | |
| Federal transfer support for health and other social programs | 31,310 | 31,346 | 36 |
| Fiscal arrangements and other transfers | 15,175 | 17,526 | 2,351 |
| Alternative payments for standing programs | -2,975 | -2,720 | 255 |
| Total | 43,510 | 46,152 | 2,642 |
| Other transfer payments | 31,105 | 27,032 | -4,073 |
| **Total transfer payments** | **133,155** | **131,331** | **-1,824** |
| **Other program expenses—** | | | |
| Crown corporations | 6,930 | 7,340 | 410 |
| National Defence | 17,521 | 17,331 | -190 |
| All other departments and agencies | 42,014 | 43,496 | 1,482 |
| Total other program expenses | 66,465 | 68,167 | 1,702 |
| **Program expenses** | **199,620** | **199,498** | **-122** |
| Public debt charges | 33,807 | 33,325 | -482 |
| **Total expenses** | **233,427** | **232,823** | **-604** |

## Accumulated Deficit

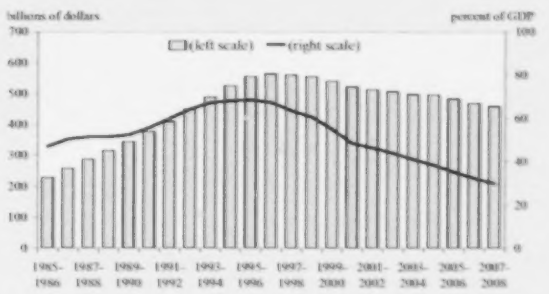
The accumulated deficit is the difference between the Government's total liabilities and its assets. The annual change in the accumulated deficit represents the annual budgetary balance plus any gains or losses recognized in other comprehensive income. Other comprehensive income represents certain unrealized gains and losses on financial instruments reported by enterprise Crown corporations and other government business enterprises. In accordance with recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, other comprehensive income is not included in the Government's annual budgetary balance, but is instead recorded directly to the Government's Statement of Accumulated Deficit and Statement of Change in Net Debt.

**Accumulated Deficit**

| | 2007-2008 | 2006-2007 | Difference |
|---|---|---|---|
| | (in millions of dollars) | | |
| **Accumulated deficit, beginning of year** | **467,268** | **481,499** | **-14,231** |
| Annual surplus | 9,597 | 13,752 | -4,155 |
| Other comprehensive income | 34 | 479 | -445 |
| **Accumulated deficit, end of year** | **457,637** | **467,268** | **-9,631** |

Given 11 consecutive years of budgetary surpluses, the accumulated deficit has been on a downward track, as shown in the following graph. Since March 31, 1997, it has declined by $105.2 billion. As a percentage of GDP, it has fallen from a post-World War II peak of 68.4 percent at March 31, 1996 to 29.8 percent at March 31, 2008. The Government's objective is to reduce this ratio to below 25 percent by 2011-2012, bringing it back to where it was in the mid-1970s. Reducing this ratio is essential to the country's long-term prosperity. Lower debt helps keep interest rates low and frees up funds currently absorbed by interest costs for more productive uses. Low debt levels also strengthen our ability to deal with economic shocks and challenges, such as the aging of the population.

**Accumulated Deficit**




Total liabilities include interest-bearing debt and accounts payable and accrued liabilities. Assets include both financial and non-financial assets, the latter consisting primarily of capital assets. Most of the decline in the accumulated deficit since March 31, 1997, has come from an increase in financial assets. The following sections provide more detail on each of these components.

**Statement of Financial Position**

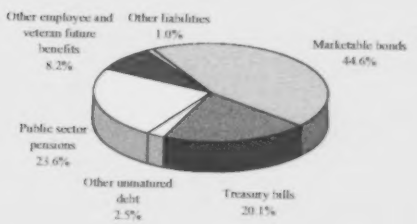
| | 2007-2008 | 2006-2007 | Difference |
|---|---|---|---|
| | (in millions of dollars) | | |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | 110,463 | 106,511 | 3,952 |
| Interest-bearing debt | | | |
| Unmatured debt | 390,697 | 414,192 | -23,495 |
| Pension and other liabilities | 191,167 | 185,060 | 6,107 |
| Total | 581,864 | 599,252 | -17,388 |
| **Total liabilities** | **692,327** | **705,763** | **-13,436** |
| **Financial Assets** | | | |
| Cash and accounts receivable | 82,878 | 92,586 | -9,708 |
| Foreign exchange accounts | 42,299 | 44,178 | -1,879 |
| Loans, investments and advances [1] | 50,869 | 45,094 | 5,775 |
| Total financial assets | 176,046 | 181,858 | -5,812 |
| ***Net debt*** | ***516,281*** | ***523,905*** | ***-7,624*** |
| **Non-financial assets** | **58,644** | **56,637** | **2,007** |
| ***Accumulated deficit*** | ***457,637*** | ***467,268*** | ***-9,631*** |

[1] Includes $34 million in other comprehensive income reported by enterprise Crown corporations and other government business enterprises.

## Interest-Bearing Debt

Interest-bearing debt includes unmatured debt, or debt issued on the credit markets, and liabilities for pensions and other accounts. The latter primarily includes obligations to federal employee pension and other benefit plans. Unmatured debt, consisting of fixed-coupon marketable bonds, Real Return Bonds, treasury bills, retail debt, foreign-currency-denominated debt, as well as bonds issued to the Canada Pension Plan and obligations related to capital leases, amounted to 67 percent of interest-bearing debt in 2007-2008, with obligations to federal public service pension plans accounting for an additional 24 percent and other employee and veteran future benefits and other liabilities accounting for the remaining 9 percent, as shown in the following graph. The share of unmatured debt has been declining since the mid-1990s, as the Government has been able to retire some of this debt.

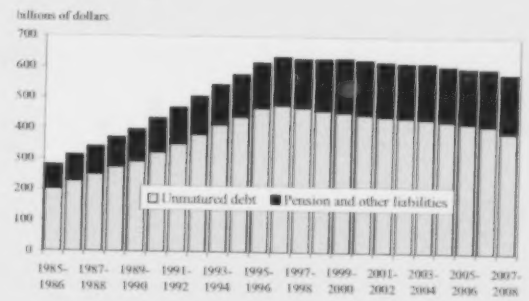
**Interest-Bearing Debt by Category for 2007-2008**


Other employee and veteran future benefits 8.2%
Other liabilities 1.0%
Marketable bonds 44.6%
Public sector pensions 23.6%
Other unmatured debt 2.5%
Treasury bills 20.1%

At March 31, 2008, interest-bearing debt amounted to $581.9 billion, down $17.4 billion from March 31, 2007. The decline was largely attributable to a decrease in the stock of treasury bills resulting from decreased government cash requirements. At March 31, 2008, interest-bearing debt was down $51.6 billion from its peak of $633.5 billion at March 31, 1997. Within interest-bearing debt, unmatured debt declined $86.5 billion between March 31, 1997 and March 31, 2008, while obligations related to pension and other accounts increased by $34.9 billion.

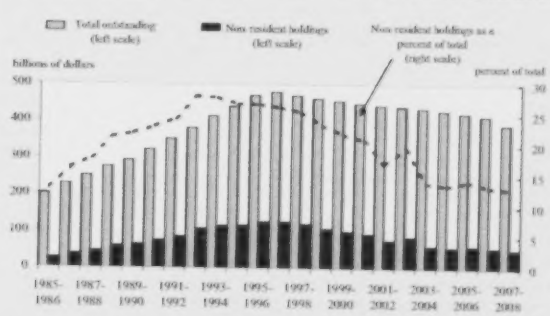
The Bank of Canada and the Department of Finance manage the Government's debt and associated risks. The fundamental objective of the debt management strategy is to provide stable, low-cost funding to meet the Government's financial obligations and liquidity needs. Details on the Government's debt management objectives and principles are tabled annually in Parliament through the Department of Finance's *Debt Management Strategy*. Further details on the pension plans are contained in Section 6 of this volume.

**Interest-Bearing Debt**




Foreign holdings of the Government's unmatured debt were estimated at $50.4 billion at the end of March 2008. This represents 12.9 percent of the Government's total unmatured debt, less than half of what it was in the mid-1990s.

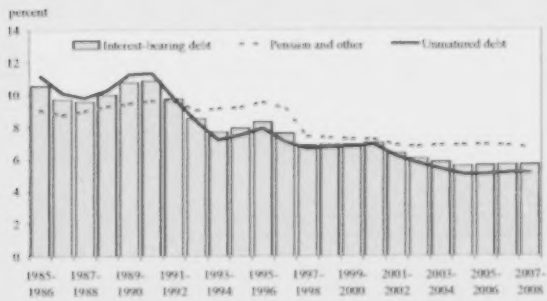
**Foreign Holdings of Government of Canada Unmatured Debt**



The average effective interest rate on the Government's interest-bearing debt was 5.6 percent in 2007-2008, down slightly from 2006-2007. The average effective interest rate on unmatured debt in 2007-2008 was 5.1 percent, unchanged from 2006-2007. The average effective rate on pension and other accounts was 6.7 percent, down from 6.8 percent in 2006-2007. The average effective interest rate was higher on pension and other accounts than on unmatured debt because the unfunded pension liability is primarily credited with interest at rates that are calculated as though the amounts in the plans were invested in a notional portfolio of Government of Canada 20-year bonds held to maturity, whereas unmatured debt includes both short- and long-term securities. In general, borrowing through long-term debt reduces volatility, but is more costly than borrowing through short-term debt.

The debt structure of the interest-bearing debt is usually described in terms of its fixed-rate share (that is, the share of debt that does not need to be refinanced within one year). The Government is gradually moving the stock of interest-bearing debt toward a lower fixed-rate share of 60 percent. This transition, which began in 2003, will generate debt cost savings, while retaining a prudent debt structure. The fixed-rate share of the debt was about 63 percent at March 31, 2008.

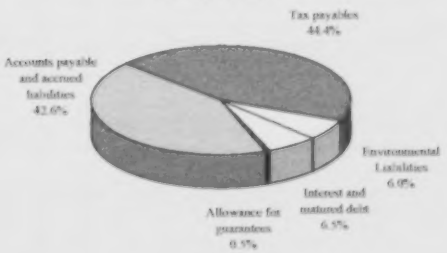
**Average Effective Interest Rate on Interest-Bearing Debt**




**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities include the following:

**Accounts Payable and Accrued Liabilities by Category for 2007-2008**

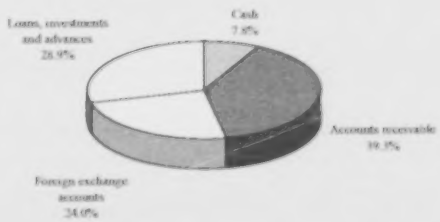



At March 31, 2008, accounts payable and accrued liabilities amounted to $110.5 billion, up $4.0 billion from March 31, 2007, and up $34.5 billion from March 31, 1997. The increase since 2006-2007 primarily reflects increases in tax payables. This growth was partially offset by a decrease in accounts payable, due in part to the payment of transfers announced in Budget 2007 and recorded in 2006-2007, including $1.5 billion for the Clean Air and Climate Change Trust Fund and $0.6 billion for the Patient Wait Times Guarantee Trust.

**Financial Assets**

Financial assets include cash on deposit with the Bank of Canada, chartered banks and other financial institutions, accounts receivable, foreign exchange accounts, and loans, investments and advances. The Government's foreign exchange accounts include foreign currency deposits, investments in gold and subscriptions in the International Monetary Fund. Proceeds of the Government's foreign currency borrowings are held in the Exchange Fund Account to provide foreign currency liquidity and provide funds needed to promote orderly conditions for the Canadian dollar in the foreign exchange markets. Further details on the management of international reserves are available in the annual *Report on the Management of Canada's Official International Reserves*. The Government's loans, investments and advances include its investments in enterprise Crown corporations, loans to national governments mainly for financial assistance and development of export trade, and loans under the Canada Student Loans Program.

**Financial Assets for 2007-2008**




At March 31, 2008, financial assets amounted to $176.0 billion, down $5.8 billion from March 31, 2007, primarily due to a $9.0-billion decrease in the cash balance and a $1.9-billion decrease in foreign exchange accounts. The decrease in the cash balance reflects amendments made to the *Financial Administration Act* in 2007 regarding the Government's borrowing authority, which provide increased flexibility to meet financial requirements, along with the more frequent use of short-dated borrowing instruments, which facilitate carrying lower cash balances at fiscal year-end. The decrease in foreign exchange accounts was mainly attributable to a reduction in the value of international reserves held in the Exchange Fund Account due to the appreciation of the Canadian dollar against the US dollar. These decreases were partially offset by a $5.8-billion increase in loans, investments and advances, due largely to profits recorded during the year by enterprise Crown corporations and other government business enterprises, and the issuance of

loans to the Business Development Bank of Canada and Farm Credit Canada under the consolidated borrowing framework announced in Budget 2007.

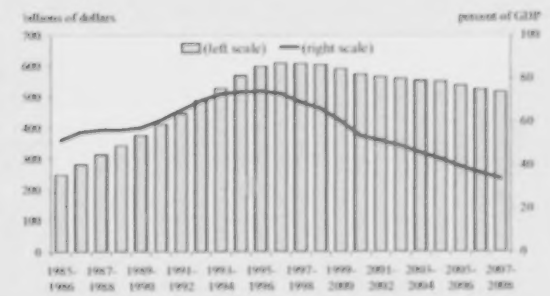
Since March 31, 1997, financial assets have increased by $75.6 billion due to higher levels of cash and accounts receivable (up $30.1 billion), an increase in the foreign exchange accounts (up $15.5 billion) and an increase in loans, investments and advances (up $30.0 billion). For additional information on cash flow, see the section entitled "Cash Flow" below. The increase in cash and accounts receivable is largely attributable to an increase in tax receivables. The increase in tax receivables is broadly in line with the growth in the applicable tax bases. The increase in foreign exchange accounts reflects a decision by the Government in the late 1990s to increase its liquidity in these accounts. In recent years, it has reduced its holdings of foreign currency debt, given the improved economic and fiscal situation. The increase in loans, investments and advances was due to higher net gains from enterprise Crown corporations and the Government taking over the financing of the Canada Student Loans Program from the chartered banks in 2000.

**Net Debt**

The Government's net debt – its total liabilities less financial assets – declined to $516.3 billion at March 31, 2008, from a peak of $609.0 billion at March 31, 1997. As a share of GDP, net debt was 33.6 percent, down 40.2 percentage points from its peak of 73.9 percent at March 31, 1996. This is the 12th consecutive year in which this ratio has declined.

This ratio measures debt relative to the ability of the country's taxpayers to finance it. Total liabilities are reduced only by financial assets as non-financial assets cannot normally be converted to cash to pay off the debt without disrupting government operations.

**Net Debt**

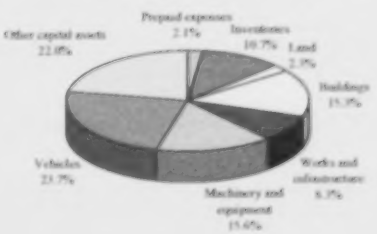



Net debt at the end of 2007-2008 was $15,539 for each Canadian, down from $15,938 a year earlier.

**Non-Financial Assets**

Non-financial assets include the net book value of the Government's tangible capital assets, which includes land, buildings, works and infrastructure such as roads and bridges, machinery and equipment, ships, aircraft and other vehicles. Non-financial assets also include inventories and prepaid expenses.

**Non-Financial Assets for 2007-2008**

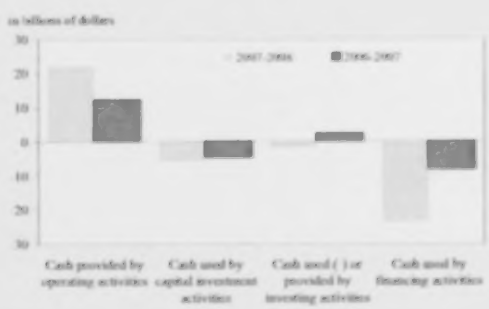



At March 31, 2008, non-financial assets stood at $58.6 billion, up $2.0 billion from a year earlier. Since March 31, 1997, non-financial assets have increased by $12.5 billion.

**Cash Flow**

The annual surplus or deficit is presented on a full accrual basis of accounting, recognizing income in the period it is earned and liabilities when incurred. As such, the Government's operating activities generate a significant source of cash, after adjusting for non-cash revenues and expenses, part of which is offset by its capital investment activities. In addition, cash is usually received from the Government's investing activities. Since 1997-1998, net cash has been used to pay off debt or change the level of the cash balances.

**Cash Flow**



## Risks and Uncertainties

As noted in the Budget and related documents, the Government's revenues and expenses are highly sensitive to changes in economic conditions – particularly to changes in real economic growth, inflation and interest rates.

To illustrate the impact of changes in economic conditions, the Department of Finance publishes, on a regular basis, sensitivity impacts on the budgetary balance. These are "rules of thumb" as the actual impact will depend on many other factors as well. As published in Budget 2008, these show, for example, that:

- A 1-percentage-point decrease in real GDP growth would lower the budgetary balance by about $3.3 billion in the first year and $2.8 billion in the second year.
- A 1-percentage-point decrease in GDP inflation would lower the budgetary balance by about $1.8 billion in the first year and by $2.2 billion in the second.
- A sustained 100-basis-point decrease in interest rates would raise the budgetary balance by $0.7 billion in the first year and $1.1 billion in the second.

Not only can economic growth differ from forecast on an aggregate basis, but the composition of the growth can be different than originally projected. Changes in economic conditions can also affect taxpayer behaviour. The applicable tax bases used for forecasting purposes are based on Statistics Canada's estimates of nominal GDP. These are subject to ongoing revisions. Furthermore, the concepts employed in the calculation of nominal GDP are not entirely consistent with the definition of income for taxation purposes.

Revenues and expenses may also be affected throughout the year by unforeseen developments, including natural disasters, labour disruptions, court decisions and other legal obligations, delays in parliamentary approvals, changes in accounting standards, and changes in environmental liabilities.

The forecasts of the budgetary balance and its components are updated in the fall Economic and Fiscal Update and again in the Budget tabled in Parliament prior to, or in the early months of, the next fiscal year. The Government also provides quarterly updates of the outlook of the budgetary balance for the current year in the March and June *Fiscal Monitors*, published in May and August. *The Fiscal Monitor* is a monthly publication of the Department of Finance that provides highlights of the federal government's fiscal performance, including monthly revenues, expenses, the budgetary balance and the financial source/requirement. The forecast updates are largely based on the monitoring of the monthly financial results as published in *The Fiscal Monitor*. In the case of the fall Economic and Fiscal Update, the update of the fiscal forecast incorporates the final audited fiscal results for the previous fiscal year, which are usually released in late September/early October. Results for the previous fiscal year can have a significant impact on the current year's estimates through adjustment to the average effective tax yield and assumptions regarding lapses in departmental appropriations.

## TEN YEAR COMPARATIVE FINANCIAL INFORMATION

This part provides a ten year comparison of financial information based on the accounting policies explained in Note 1 to the audited financial statements in Section 2 of this volume.

### TABLE 1.1

GOVERNMENT OF CANADA
DETAILED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| **REVENUES—** | | | | | | | | | | |
| ***TAX REVENUES—*** | | | | | | | | | | |
| **Income tax revenues—** | | | | | | | | | | |
| Personal | 77,894 | 85,070 | 92,662 | 86,972 | 89,530 | 92,957 | 98,521 | 103,691 | 110,477 | 113,063 |
| Corporate | 21,213 | 22,115 | 28,293 | 24,242 | 22,222 | 27,431 | 29,956 | 31,724 | 37,745 | 40,628 |
| Other income tax revenues | 2,208 | 2,646 | 2,982 | 2,925 | 3,291 | 3,142 | 3,560 | 4,529 | 4,877 | 5,693 |
| | *101,315* | *109,831* | *123,937* | *114,139* | *115,043* | *123,530* | *132,037* | *139,944* | *153,099* | *159,384* |
| **Other taxes and duties—** | | | | | | | | | | |
| Goods and services tax | 20,936 | 23,121 | 24,759 | 25,292 | 28,248 | 28,286 | 29,758 | 33,020 | 31,296 | 29,920 |
| Energy taxes | 4,716 | 4,757 | 4,792 | 4,848 | 4,935 | 4,952 | 5,054 | 5,076 | 5,128 | 5,139 |
| Customs import duties | 2,359 | 2,105 | 2,784 | 3,040 | 3,278 | 2,887 | 3,091 | 3,330 | 3,704 | 3,903 |
| Other excise taxes and duties | 3,706 | 3,315 | 3,434 | 3,953 | 4,896 | 5,240 | 4,954 | 4,730 | 5,189 | 5,245 |
| | *31,717* | *33,298* | *35,769* | *37,133* | *41,357* | *41,365* | *42,857* | *46,156* | *45,317* | *44,207* |
| ***Total tax revenues*** | ***133,032*** | ***143,129*** | ***159,706*** | ***151,272*** | ***156,400*** | ***164,895*** | ***174,894*** | ***186,100*** | ***198,416*** | ***203,591*** |
| ***EMPLOYMENT INSURANCE PREMIUMS*** | ***19,064*** | ***18,628*** | ***18,655*** | ***17,637*** | ***17,870*** | ***17,546*** | ***17,307*** | ***16,535*** | ***16,789*** | ***16,558*** |
| ***OTHER REVENUES—*** | | | | | | | | | | |
| Crown corporation revenues | 4,496 | 4,696 | 5,458 | 4,751 | 5,301 | 5,917 | 6,825 | 7,198 | 7,503 | 6,504 |
| Other program revenues | 7,077 | 7,870 | 7,851 | 7,817 | 7,620 | 8,142 | 11,742 | 10,356 | 11,544 | 13,895 |
| Foreign exchange net revenues | 1,851 | 2,085 | 2,679 | 2,453 | 3,379 | 2,090 | 1,175 | 2,014 | 1,714 | 1,872 |
| ***Total other revenues*** | ***13,424*** | ***14,651*** | ***15,988*** | ***15,021*** | ***16,300*** | ***16,149*** | ***19,742*** | ***19,568*** | ***20,761*** | ***22,271*** |
| **TOTAL REVENUES** | **165,520** | **176,408** | **194,349** | **183,930** | **190,570** | **198,590** | **211,943** | **222,203** | **235,966** | **242,420** |
| **EXPENSES—** | | | | | | | | | | |
| ***TRANSFER PAYMENTS—*** | | | | | | | | | | |
| Old age security benefits, guaranteed income supplement and spouse's allowance | 22,285 | 22,856 | 23,668 | 24,641 | 25,692 | 26,902 | 27,871 | 28,992 | 30,284 | 31,955 |
| **Other levels of government—** | | | | | | | | | | |
| Canada health and social transfer | 16,018 | 14,891 | 13,500 | 17,300 | 21,100 | 22,341 | 28,031 | 27,225 | 28,640 | 31,346 |
| Fiscal arrangements | 11,645 | 10,721 | 12,467 | 11,603 | 10,879 | 9,409 | 12,863 | 12,381 | 13,033 | 14,570 |
| Canada Assistance Plan | 8 | 56 | | | | | | | | |
| Alternative payments for standing programs | -2,150 | -2,425 | -2,460 | -2,662 | -2,321 | -2,700 | -2,746 | -2,731 | -3,177 | -2,720 |
| Other major transfers | 2 | | 1,217 | 375 | 987 | 342 | 3,807 | 3,940 | 4,018 | 2,956 |
| | *25,523* | *23,243* | *24,724* | *26,616* | *30,645* | *29,392* | *41,955* | *40,815* | *42,514* | *46,152* |
| Employment insurance benefits | 11,884 | 11,301 | 11,444 | 13,726 | 14,496 | 15,058 | 14,748 | 14,417 | 14,084 | 14,298 |
| Children's benefits | 5,715 | 6,000 | 6,783 | 7,471 | 7,823 | 8,062 | 8,688 | 9,200 | 11,214 | 11,894 |
| Other transfer payments | 14,343 | 17,212 | 21,575 | 17,546 | 20,673 | 22,945 | 25,453 | 24,893 | 26,844 | 27,032 |
| ***Total transfer payments*** | ***79,750*** | ***80,612*** | ***88,194*** | ***90,000*** | ***99,329*** | ***102,359*** | ***118,715*** | ***118,317*** | ***124,940*** | ***131,331*** |
| ***OTHER PROGRAM EXPENSES—*** | | | | | | | | | | |
| Crown corporation expenses | 5,790 | 5,246 | 5,402 | 6,085 | 6,551 | 6,566 | 8,907 | 7,195 | 7,211 | 7,340 |
| Ministry expenses | 30,898 | 32,908 | 36,970 | 40,146 | 40,799 | 44,751 | 48,740 | 49,701 | 56,118 | 60,827 |
| ***Total other program expenses*** | ***36,688*** | ***38,154*** | ***42,372*** | ***46,231*** | ***47,350*** | ***51,317*** | ***57,647*** | ***56,896*** | ***63,329*** | ***68,167*** |
| ***Total program expenses*** | ***116,438*** | ***118,766*** | ***130,566*** | ***136,231*** | ***146,679*** | ***153,676*** | ***176,362*** | ***175,213*** | ***188,269*** | ***199,498*** |
| ***PUBLIC DEBT CHARGES*** | ***43,303*** | ***43,384*** | ***43,892*** | ***39,651*** | ***37,270*** | ***35,769*** | ***34,118*** | ***33,772*** | ***33,945*** | ***33,325*** |
| **TOTAL EXPENSES** | **159,741** | **162,150** | **174,458** | **175,882** | **183,949** | **189,445** | **210,480** | **208,985** | **222,214** | **232,823** |
| **ANNUAL SURPLUS** | **5,779** | **14,258** | **19,891** | **8,048** | **6,621** | **9,145** | **1,463** | **13,218** | **13,752** | **9,597** |
| **ACCUMULATED DEFICIT AT BEGINNING OF YEAR** | **559,922** | **554,143** | **539,885** | **519,994** | **511,946** | **505,325** | **496,180** | **494,717** | **481,499** | **467,268** |
| **OTHER COMPREHENSIVE INCOME** | | | | | | | | | **479** | **34** |
| **ACCUMULATED DEFICIT AT END OF YEAR** | **554,143** | **539,885** | **519,994** | **511,946** | **505,325** | **496,180** | **494,717** | **481,499** | **467,268** | **457,637** |

**TABLE 1.2**

GOVERNMENT OF CANADA
DETAILED STATEMENT OF FINANCIAL POSITION
(in millions of dollars)

| | As at March 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| **LIABILITIES** | | | | | | | | | | |
| ***ACCOUNTS PAYABLE AND ACCRUED LIABILITIES—*** | | | | | | | | | | |
| Accounts payable and accrued liabilities | 37,393 | 36,424 | 37,206 | 31,424 | 32,909 | 36,905 | 46,045 | 48,263 | 50,730 | 47,000 |
| Tax payables | 28,843 | 29,809 | 33,030 | 34,284 | 33,549 | 33,040 | 35,650 | 38,402 | 41,388 | 49,010 |
| Environmental liabilities | 3,014 | 3,014 | 3,014 | 3,051 | 3,378 | 3,564 | 5,624 | 5,861 | 6,062 | 6,669 |
| Interest and matured debt | 10,331 | 10,709 | 11,278 | 10,409 | 9,558 | 8,933 | 8,104 | 7,875 | 7,516 | 7,182 |
| Allowance for guarantees | 4,090 | 3,920 | 3,951 | 4,076 | 3,802 | 2,770 | 2,317 | 1,031 | 815 | 602 |
| ***Total accounts payable and accrued liabilities*** | ***83,671*** | ***83,876*** | ***88,479*** | ***83,244*** | ***83,196*** | ***85,212*** | ***97,740*** | ***101,432*** | ***106,511*** | ***110,463*** |
| ***INTEREST- BEARING DEBT—*** | | | | | | | | | | |
| *Unmatured debt—* | | | | | | | | | | |
| Payable in Canadian currency— | | | | | | | | | | |
| Marketable bonds | 293,017 | 291,739 | 293,441 | 292,500 | 287,133 | 277,780 | 265,798 | 261,134 | 257,482 | 253,550 |
| Treasury bills | 96,950 | 99,850 | 88,700 | 94,039 | 104,411 | 113,378 | 127,199 | 131,597 | 134,074 | 116,936 |
| Retail debt | 27,662 | 26,489 | 26,099 | 23,966 | 22,584 | 21,330 | 19,080 | 17,342 | 15,175 | 13,068 |
| Bonds for Canada Pension Plan | 4,063 | 3,552 | 3,473 | 3,391 | 3,371 | 3,427 | 3,393 | 3,102 | 1,743 | 1,042 |
| | *421,692* | *421,630* | *411,713* | *413,896* | *417,499* | *415,915* | *415,470* | *413,175* | *408,474* | *384,596* |
| Payable in foreign currencies | 36,000 | 32,588 | 33,158 | 27,032 | 21,141 | 20,542 | 16,286 | 14,085 | 10,372 | 9,498 |
| Cross-currency swap revaluation account | 536 | -467 | 867 | 865 | 1,495 | 363 | -922 | -2,258 | -1,091 | -1,420 |
| Unamortized discounts and premiums on market debt | -540 | -2,356 | -2,171 | -2,602 | -5,256 | -5,610 | -6,342 | -6,780 | -6,659 | -6,213 |
| Obligation related to capital leases | 2,614 | 2,601 | 2,591 | 2,619 | 2,664 | 2,774 | 2,932 | 2,927 | 3,096 | 4,236 |
| | *460,302* | *455,996* | *446,158* | *441,810* | *437,543* | *433,984* | *427,424* | *421,149* | *414,192* | *390,697* |
| *Pension and other liabilities—* | | | | | | | | | | |
| Public sector pensions | 122,407 | 128,346 | 129,185 | 126,921 | 125,708 | 127,560 | 129,579 | 131,062 | 134,726 | 137,371 |
| Other employee and veteran future benefits | 35,135 | 35,714 | 37,668 | 38,280 | 38,844 | 39,367 | 41,549 | 43,369 | 45,173 | 47,901 |
| Due to Canada Pension Plan | 5,427 | 6,217 | 6,391 | 6,770 | 7,093 | 7,483 | 2,771 | 151 | 54 | 106 |
| Other liabilities | 5,222 | 5,474 | 5,729 | 5,971 | 6,642 | 6,488 | 5,909 | 5,342 | 5,157 | 5,789 |
| | *168,191* | *175,751* | *178,973* | *177,942* | *178,287* | *180,898* | *179,808* | *179,924* | *185,060* | *191,167* |
| ***Total interest-bearing debt*** | ***628,493*** | ***629,747*** | ***625,131*** | ***619,752*** | ***615,830*** | ***614,882*** | ***607,232*** | ***601,073*** | ***599,252*** | ***581,864*** |
| **TOTAL LIABILITIES** | **712,164** | **713,623** | **713,610** | **702,996** | **699,026** | **700,094** | **704,972** | **702,505** | **705,763** | **692,327** |
| **FINANCIAL ASSETS** | | | | | | | | | | |
| ***CASH AND ACCOUNTS RECEIVABLE—*** | | | | | | | | | | |
| Cash | 10,695 | 15,416 | 15,818 | 11,398 | 16,528 | 20,572 | 20,615 | 21,149 | 22,696 | 13,729 |
| Tax receivables | 41,838 | 43,321 | 48,572 | 45,605 | 43,597 | 47,953 | 53,477 | 59,113 | 66,492 | 65,902 |
| Other accounts receivable | 3,369 | 3,209 | 2,681 | 2,939 | 2,603 | 2,476 | 2,254 | 2,581 | 3,398 | 3,247 |
| ***Total cash and accounts receivable*** | ***55,902*** | ***61,946*** | ***67,071*** | ***59,942*** | ***62,728*** | ***71,001*** | ***76,346*** | ***82,843*** | ***92,586*** | ***82,878*** |
| ***FOREIGN EXCHANGE ACCOUNTS—*** | | | | | | | | | | |
| International reserves held in the Exchange Fund Account | 31,855 | 38,630 | 47,845 | 48,667 | 44,849 | 41,247 | 39,114 | 40,936 | 44,673 | 42,904 |
| International Monetary Fund—Subscriptions | 13,048 | 12,390 | 12,814 | 12,821 | 12,942 | 12,185 | 11,240 | 10,673 | 11,106 | 10,752 |
| Less: International Monetary Fund—Notes payable and special drawing rights allocations | 10,235 | 9,526 | 10,389 | 9,442 | 8,841 | 9,119 | 9,483 | 10,782 | 11,601 | 11,357 |
| ***Total foreign exchange accounts*** | ***34,668*** | ***41,494*** | ***50,270*** | ***52,046*** | ***48,950*** | ***44,313*** | ***40,871*** | ***40,827*** | ***44,178*** | ***42,299*** |
| ***LOANS, INVESTMENTS AND ADVANCES—*** | | | | | | | | | | |
| Enterprise Crown corporations and other government business enterprises | 11,531 | 11,796 | 12,633 | 11,952 | 12,858 | 14,594 | 17,625 | 20,584 | 23,683 | 30,167 |
| Other loans, investments and advances | 7,197 | 8,271 | 11,899 | 13,744 | 14,920 | 19,184 | 20,543 | 21,305 | 21,411 | 20,702 |
| ***Total loans, investments and advances*** | ***18,728*** | ***20,067*** | ***24,532*** | ***25,696*** | ***27,778*** | ***33,778*** | ***38,168*** | ***41,889*** | ***45,094*** | ***50,869*** |
| **TOTAL FINANCIAL ASSETS** | **109,298** | **123,507** | **141,873** | **137,684** | **139,456** | **149,092** | **155,385** | **165,559** | **181,858** | **176,046** |
| **NET DEBT** | **602,866** | **590,116** | **571,737** | **565,312** | **559,570** | **551,002** | **549,587** | **536,946** | **523,905** | **516,281** |
| **NON-FINANCIAL ASSETS** | | | | | | | | | | |
| Tangible capital assets | 41,501 | 42,855 | 44,215 | 45,727 | 47,037 | 47,748 | 48,210 | 48,355 | 49,036 | 51,175 |
| Inventories | 6,310 | 6,451 | 6,591 | 6,438 | 6,113 | 6,134 | 5,525 | 5,875 | 5,988 | 6,248 |
| Prepaid expenses | 912 | 925 | 937 | 1,201 | 1,095 | 940 | 1,135 | 1,217 | 1,613 | 1,221 |
| **TOTAL NON-FINANCIAL ASSETS** | **48,723** | **50,231** | **51,743** | **53,366** | **54,245** | **54,822** | **54,870** | **55,447** | **56,637** | **58,644** |
| **ACCUMULATED DEFICIT** | **554,143** | **539,885** | **519,994** | **511,946** | **505,325** | **496,180** | **494,717** | **481,499** | **467,268** | **457,637** |

**TABLE 1.3**

GOVERNMENT OF CANADA
STATEMENT OF CHANGE IN NET DEBT
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| **NET DEBT AT BEGINNING OF YEAR** | **607,157** | **602,866** | **590,116** | **571,737** | **565,312** | **559,570** | **551,002** | **549,587** | **536,946** | **523,905** |
| **CHANGE IN NET DEBT DURING THE YEAR—** | | | | | | | | | | |
| **ANNUAL SURPLUS** | **-5,779** | **-14,258** | **-19,891** | **-8,048** | **-6,621** | **-9,145** | **-1,463** | **-13,218** | **-13,752** | **-9,597** |
| **CHANGE DUE TO TANGIBLE CAPITAL ASSETS—** | | | | | | | | | | |
| Acquisition of tangible capital assets | 3,819 | 3,851 | 3,880 | 4,487 | 5,051 | 4,535 | 4,619 | 4,046 | 4,789 | 5,957 |
| Amortization of tangible capital assets | -2,312 | -2,290 | -2,312 | -2,583 | -3,341 | -3,502 | -3,696 | -3,904 | -3,807 | -3,954 |
| Proceeds from disposal of tangible capital assets | -95 | -46 | -111 | -56 | -288 | -91 | -144 | -146 | -292 | -440 |
| Net loss (-) or gain on disposal of tangible capital assets, including adjustments | -85 | -161 | -97 | -336 | -112 | -231 | -317 | 149 | -99 | 576 |
| *Total change due to tangible capital assets* | *1,327* | *1,354* | *1,360* | *1,512* | *1,310* | *711* | *462* | *145* | *681* | *2,139* |
| **CHANGE DUE TO INVENTORIES** | **150** | **141** | **140** | **-153** | **-325** | **21** | **-609** | **350** | **113** | **260** |
| **CHANGE DUE TO PREPAID EXPENSES** | **11** | **13** | **12** | **264** | **-106** | **-155** | **195** | **82** | **396** | **-392** |
| **NET DECREASE IN NET DEBT DUE TO OPERATIONS** | **-4,291** | **-12,750** | **-18,379** | **-6,425** | **-5,742** | **-8,568** | **-1,415** | **-12,641** | **-12,562** | **-7,590** |
| **OTHER COMPREHENSIVE INCOME** | | | | | | | | | -479 | -34 |
| **NET DECREASE IN NET DEBT** | **-4,291** | **-12,750** | **-18,379** | **-6,425** | **-5,742** | **-8,568** | **-1,415** | **-12,641** | **-13,041** | **-7,624** |
| **NET DEBT AT END OF YEAR** | **602,866** | **590,116** | **571,737** | **565,312** | **559,570** | **551,002** | **549,587** | **536,946** | **523,905** | **516,281** |

**TABLE 1.4**

GOVERNMENT OF CANADA
STATEMENT OF CASH FLOW
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| **OPERATING ACTIVITIES—** | | | | | | | | | | |
| **ANNUAL SURPLUS** | **5,779** | **14,258** | **19,891** | **8,048** | **6,621** | **9,145** | **1,463** | **13,218** | **13,752** | **9,597** |
| Items not affecting cash— | | | | | | | | | | |
| Share of annual profit in enterprise Crown corporations and other government business enterprises | -2,506 | -2,558 | -3,272 | -2,479 | -2,958 | -3,708 | -4,853 | -5,041 | -5,336 | -4,256 |
| Amortization of tangible capital assets | 2,312 | 2,290 | 2,312 | 2,583 | 3,341 | 3,502 | 3,696 | 3,904 | 3,807 | 3,954 |
| Net loss or gain (-) on disposal of tangible capital assets, including adjustments | 85 | 161 | 97 | 336 | 112 | 231 | 317 | -149 | 99 | -576 |
| Change in inventories and prepaid expenses | -161 | -154 | -152 | -111 | 431 | 134 | 414 | -431 | -509 | 132 |
| Change in pension and other liabilities | 7,317 | 7,560 | 3,222 | -1,031 | 346 | 2,611 | -1,090 | 116 | 5,136 | 6,107 |
| Change in foreign exchange accounts | -5,700 | -6,826 | -8,776 | -1,776 | 3,096 | 4,637 | 3,442 | 44 | -3,351 | 1,879 |
| Net change in other accounts | 1,721 | -4,663 | 2,010 | -1,904 | 553 | -3,385 | 5,163 | -3,192 | -1,508 | 5,194 |
| **Cash provided by operating activities** | **8,847** | **10,068** | **15,332** | **3,666** | **11,542** | **13,167** | **8,552** | **8,469** | **12,090** | **22,031** |
| **CAPITAL INVESTMENT ACTIVITIES—** | | | | | | | | | | |
| Acquisition of tangible capital assets | -3,819 | -3,851 | -3,880 | -4,487 | -5,051 | -4,535 | -4,619 | -4,046 | -4,789 | -5,957 |
| Proceeds from disposal of tangible capital assets | 95 | 46 | 111 | 56 | 288 | 91 | 144 | 146 | 202 | 440 |
| **Cash used by capital investment activities** | **-3,724** | **-3,805** | **-3,769** | **-4,431** | **-4,763** | **-4,444** | **-4,475** | **-3,900** | **-4,587** | **-5,517** |
| **INVESTING ACTIVITIES—** | | | | | | | | | | |
| Enterprise Crown corporations and other government business enterprises— | | | | | | | | | | |
| Equity transactions | 2,414 | 1,765 | 2,055 | 2,167 | 1,814 | 1,843 | 1,669 | 2,012 | 2,602 | 2,436 |
| Loans and advances issued | -1,043 | -446 | -333 | -248 | -26 | -167 | -142 | -198 | -3,713 | -5,052 |
| Loans and advances repayments | 2,744 | 963 | 745 | 1,052 | 307 | 358 | 334 | 331 | 3,894 | 435 |
| Other loans, investments and advances issued | -4,679 | -3,784 | -7,213 | -6,637 | -6,216 | -9,569 | -8,218 | -6,861 | -16,969 | -6,571 |
| Other loans, investments and advances repayments | 2,855 | 3,447 | 2,942 | 3,926 | 4,716 | 4,929 | 6,866 | 5,182 | 16,475 | 6,883 |
| **Cash provided or used (-) by investing activities** | **2,291** | **1,945** | **-1,804** | **260** | **595** | **-2,606** | **509** | **466** | **2,289** | **-1,869** |
| **TOTAL CASH GENERATED OR REQUIRED (-) BEFORE FINANCING ACTIVITIES** | **7,414** | **8,208** | **9,759** | **-505** | **7,374** | **6,117** | **4,586** | **5,035** | **9,792** | **14,645** |
| **FINANCING ACTIVITIES—** | | | | | | | | | | |
| Canadian currency borrowings issued | 245,934 | 268,357 | 225,899 | 258,142 | 309,420 | 336,260 | 335,682 | 363,824 | 369,354 | 343,755 |
| Canadian currency borrowings repayments | -263,161 | -268,432 | -235,825 | -255,931 | -305,773 | -337,734 | -335,969 | -366,123 | -373,886 | -366,493 |
| Foreign currencies borrowings issued | 51,859 | 33,418 | 34,176 | 23,412 | 17,297 | 14,227 | 13,608 | 15,859 | 11,586 | 11,099 |
| Foreign currencies borrowings repayments | -43,042 | -36,830 | -33,607 | -29,538 | -23,188 | -14,826 | -17,864 | -18,061 | -15,299 | -11,973 |
| **Cash used by financing activities** | **-8,410** | **-3,487** | **-9,357** | **-3,915** | **-2,244** | **-2,073** | **-4,543** | **-4,501** | **-8,245** | **-23,612** |
| **NET INCREASE OR DECREASE (-) IN CASH** | **-996** | **4,721** | **402** | **-4,420** | **5,130** | **4,044** | **43** | **534** | **1,547** | **-8,967** |
| **CASH AT BEGINNING OF YEAR** | **11,691** | **10,695** | **15,416** | **15,818** | **11,398** | **16,528** | **20,572** | **20,615** | **21,149** | **22,696** |
| **CASH AT END OF YEAR** | **10,695** | **15,416** | **15,818** | **11,398** | **16,528** | **20,572** | **20,615** | **21,149** | **22,696** | **13,729** |

**TABLE 1.5**

GOVERNMENT OF CANADA
DETAILED STATEMENT OF NON-BUDGETARY TRANSACTIONS AND OF NON-FINANCIAL ASSETS
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| **LOANS, INVESTMENTS AND ADVANCES—** | | | | | | | | | | |
| Enterprise Crown corporations and other government business enterprises | | | | | | | | | | |
| Loans and advances | | | | | | | | | | |
| Canada Deposit Insurance Corporation | 395 | | | | | | | | | |
| Canada Mortgage and Housing Corporation | 410 | 223 | 224 | 226 | 218 | 219 | 190 | 200 | 148 | 258 |
| Business Development Bank of Canada | | | | | | | | | | -1,000 |
| Farm Credit Canada | 836 | 236 | 226 | 578 | | | | | | -3,840 |
| Other | 60 | 58 | -38 | | 63 | -28 | 2 | -67 | 33 | -35 |
| | *1,701* | *517* | *412* | *804* | *281* | *191* | *192* | *133* | *181* | *-4,617* |
| Investments | | | | | | | | | | |
| Share of annual profit | -2,506 | -2,558 | -3,272 | -2,479 | -2,958 | -3,708 | -4,853 | -5,041 | -5,336 | -4,256 |
| Other comprehensive income | | | | | | | | | -479 | -34 |
| Dividends | 2,566 | 1,792 | 1,990 | 2,078 | 1,881 | 1,907 | 1,944 | 2,027 | 2,604 | 2,436 |
| Capital | -152 | -27 | 65 | 89 | -67 | -64 | -275 | -15 | -3 | |
| | *-92* | *-793* | *-1,217* | *-312* | *-1,144* | *-1,865* | *-3,184* | *-3,029* | *-3,214* | *-1,854* |
| Total | 1,609 | -276 | -805 | 492 | -863 | -1,674 | -2,992 | -2,896 | -3,033 | -6,471 |
| Less: | | | | | | | | | | |
| Amount expected to be repaid from future appropriations | 169 | -11 | 32 | -190 | 43 | 62 | 39 | 63 | 66 | 32 |
| Unamortized discounts and premiums | | | | | | | | | | -19 |
| Total | 1,778 | -265 | -837 | 682 | -906 | -1,736 | -3,031 | -2,959 | -3,099 | -6,484 |
| Other loans, investments and advances | | | | | | | | | | |
| Portfolio investments | | 1 | | | | | 1,225 | -101 | | |
| National governments, including developing countries | -477 | 822 | -177 | 185 | 828 | 572 | 171 | 158 | 80 | 143 |
| International organizations | -561 | -303 | -590 | -459 | -349 | -72 | -253 | -224 | -491 | -321 |
| Provincial and territorial governments | 42 | -368 | -963 | 385 | -249 | -2,459 | -673 | 14 | 285 | 899 |
| Other loans, investments and advances | -828 | -489 | -2,541 | -2,822 | -1,730 | -2,681 | -1,822 | -1,524 | -367 | -410 |
| Total | -1,824 | -337 | -4,271 | -2,711 | -1,500 | -4,640 | -1,352 | -1,677 | -493 | 311 |
| Less: allowance for valuation | -699 | 737 | -643 | -865 | -324 | -376 | 6 | -915 | -387 | -398 |
| Total | -1,125 | -1,074 | -3,628 | -1,846 | -1,176 | -4,264 | -1,358 | -762 | -106 | 709 |
| **Total loans, investments and advances** | **653** | **-1,339** | **-4,465** | **-1,164** | **-2,082** | **-6,000** | **-4,389** | **-3,721** | **-3,205** | **-5,775** |
| **PENSION AND OTHER LIABILITIES—** | | | | | | | | | | |
| Public sector pensions | 4,950 | 5,939 | 839 | -2,264 | -1,213 | 1,852 | 2,019 | 1,483 | 3,664 | 2,645 |
| Other employee and veteran future benefits | 983 | 579 | 1,954 | 612 | 564 | 523 | 2,182 | 1,820 | 1,754 | 2,778 |
| Due to Canada Pension Plan | 1,222 | 790 | 174 | 379 | 323 | 390 | -4,712 | -2,620 | -97 | 52 |
| Other liabilities | 162 | 252 | 255 | 242 | 672 | -154 | -579 | -567 | -185 | 632 |
| **Total pension and other liabilities** | **7,317** | **7,560** | **3,222** | **-1,031** | **346** | **2,611** | **-1,090** | **116** | **5,136** | **6,107** |
| **NON-FINANCIAL ASSETS—** | | | | | | | | | | |
| Tangible capital assets | -1,327 | -1,354 | -1,360 | -1,512 | -1,310 | -711 | -462 | -145 | -681 | -2,139 |
| Inventories | -150 | -141 | -140 | 153 | 325 | -21 | 609 | -350 | -113 | -260 |
| Prepaid expenses | -11 | -13 | -12 | -264 | 106 | 155 | -195 | -82 | -396 | 392 |
| **Total non-financial assets** | **-1,488** | **-1,508** | **-1,512** | **-1,623** | **-879** | **-577** | **-48** | **-577** | **-1,190** | **-2,007** |
| **OTHER TRANSACTIONS—** | | | | | | | | | | |
| Tax receivables | -1,159 | -1,483 | -5,251 | 2,967 | 2,008 | -4,356 | -5,524 | -5,636 | -7,379 | 590 |
| Other accounts receivable | -444 | 160 | 528 | -258 | 336 | 127 | 223 | -327 | -817 | 151 |
| Provincial and territorial tax collection agreements account | 1,267 | -1,402 | -824 | -1,139 | -934 | 2,374 | 1,103 | 2,316 | 410 | -1,311 |
| Tax payables | 1,264 | 966 | 3,221 | 1,254 | -735 | -509 | 2,610 | 2,752 | 2,986 | 7,622 |
| Other liabilities | -599 | 641 | 2,206 | -5,350 | 1,621 | 151 | 8,813 | -1,376 | 1,683 | -2,359 |
| **Total other transactions** | **329** | **-1,118** | **-120** | **-2,526** | **2,296** | **-2,213** | **7,225** | **-2,271** | **-3,117** | **4,693** |
| **TOTAL NON-BUDGETARY TRANSACTIONS AND NON-FINANCIAL ASSETS** | **6,811** | **3,595** | **-2,875** | **-6,344** | **-319** | **-6,179** | **1,698** | **-6,453** | **-2,376** | **3,018** |

**TABLE 1.6**

GOVERNMENT OF CANADA
DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| **FOREIGN EXCHANGE ACCOUNTS—** | | | | | | | | | | |
| International reserves held in the Exchange Fund Account | -3,657 | -6,775 | -9,215 | -822 | 3,818 | 3,602 | 2,133 | -1,822 | -3,737 | 1,769 |
| International Monetary Fund—Subscriptions | -4,854 | 658 | -424 | -7 | -121 | 757 | 945 | 567 | -433 | 354 |
| | *-8,511* | *-6,117* | *-9,639* | *-829* | *3,697* | *4,359* | *3,078* | *-1,255* | *-4,170* | *2,123* |
| Less: International Monetary Fund—Notes payable | -2,693 | 634 | -835 | 947 | 623 | -336 | -453 | -1,412 | -771 | 201 |
| Special drawing rights allocations | -118 | 75 | -28 | | -22 | 58 | 89 | 113 | -48 | 43 |
| | *-2,811* | *709* | *-863* | *947* | *601* | *-278* | *-364* | *-1,299* | *-819* | *244* |
| **Total foreign exchange accounts** | **-5,700** | **-6,826** | **-8,776** | **-1,776** | **3,096** | **4,637** | **3,442** | **44** | **-3,351** | **1,879** |
| **UNMATURED DEBT—** | | | | | | | | | | |
| Payable in Canadian currency— | | | | | | | | | | |
| Marketable bonds | -1,067 | -1,278 | 1,702 | -941 | -5,367 | -9,354 | -11,981 | -4,664 | -3,652 | -3,932 |
| Treasury bills | -15,350 | 2,900 | -11,150 | 5,339 | 10,371 | 8,967 | 13,821 | 4,398 | 2,477 | -17,138 |
| Retail debt | -2,107 | -1,173 | -390 | -2,133 | -1,382 | -1,254 | -2,250 | -1,738 | -2,167 | -2,107 |
| Bonds for Canada Pension Plan | 607 | -511 | -79 | -82 | -19 | 56 | -35 | -291 | -1,359 | -700 |
| | *-17,917* | *-62* | *-9,917* | *2,183* | *3,603* | *-1,585* | *-445* | *-2,295* | *-4,701* | *-23,877* |
| Payable in foreign currencies | 8,817 | -3,412 | 570 | -6,126 | -5,891 | -599 | -4,256 | -2,201 | -3,713 | -875 |
| Cross-currency swap revaluation account | 454 | -1,003 | 1,334 | -2 | 630 | -1,132 | -1,285 | -1,336 | 1,167 | -329 |
| Unamortized discounts and premiums on market debt | 70 | -1,816 | 185 | -431 | -2,654 | -354 | -732 | -438 | 121 | 446 |
| Obligation related to capital leases | 690 | -13 | -10 | 28 | 44 | 111 | 158 | -5 | 169 | 1,140 |
| **Total unmatured debt** | **-7,886** | **-6,306** | **-7,838** | **-4,348** | **-4,268** | **-3,559** | **-6,560** | **-6,275** | **-6,957** | **-23,495** |
| **CASH AT END OF YEAR—** | | | | | | | | | | |
| In Canadian currency | 10,664 | 15,373 | 15,789 | 11,351 | 16,478 | 20,559 | 20,607 | 21,152 | 22,701 | 13,733 |
| In foreign currencies | 31 | 43 | 29 | 47 | 50 | 13 | 8 | -3 | -5 | -4 |
| **Total cash** | **10,695** | **15,416** | **15,818** | **11,398** | **16,528** | **20,572** | **20,615** | **21,149** | **22,696** | **13,729** |

# GLOSSARY OF TERMS

The following terms are used in this section and throughout the financial statements in Section 2 of this Volume. The definitions are taken from three primary sources:

1- http://termiumplus.gc.ca/site/accueil_home_e.html

2- The *CICA Public Sector Accounting Handbook*.

3- Glossary of Frequently-Used Terms, Finance Canada.

- Accounts of Canada –
  The centralized record of the financial transactions of the Government of Canada, maintained by the Receiver General. The accounts of Canada summarize revenues, expenses, assets and liabilities transactions.

- Accrued Benefit Obligation –
  The value of future benefits attributed to services rendered by employees and former employees to the accounting date.

- Accumulated Deficit –
  The accumulated net total of all past federal deficits and surpluses since Confederation. The accumulated deficit is also equal to total liabilities less total assets – both financial and non-financial.

- Actuarial Valuation for Accounting Purposes –
  An assessment of the financial status of a benefit plan. It consists of the valuation of assets held to discharge the benefit liability and calculation of the actuarial present value of benefits to be paid under the plan. The valuation results in a calculation of the required future contributions or payments and a determination of any gains or losses since the last valuation.

- Allowance –
  Estimated potential losses on the realization of government financial claims or estimated financial obligations that would not otherwise be recorded in the financial statements.

- Appropriation –
  Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

- Capital Lease –
  A lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.

- Consolidated Revenue Fund –
  The aggregate of all public moneys that are on deposit at the credit of the Receiver General for Canada.

- Consumer Price Index (CPI) –
  A measure of price changes produced by Statistics Canada on a monthly basis. The CPI measures the retail prices of a "shopping basket" of about 300 goods and services including food, housing, transportation, clothing and recreation. The index is "weighted", meaning that it gives greater importance to price changes for some products than others – more to housing, for example, than to entertainment – in an effort to reflect typical spending patterns. Increases in the CPI are also referred to as increases in the cost of living.

- Contingent Liability –
  A potential debt which may become an actual financial obligation if certain events occur or fail to occur.

- Contractual Obligation –
  A written obligation to outside organizations or individuals as a result of a contract.

- Defined Benefit Pension Plan –
  A plan that specifies either the benefits to be received by employees after retirement or the method for determining those benefits.

- Enterprise Crown Corporation –
  A corporation which is not dependent on parliamentary appropriations and whose principal activity and source of revenues are the sale of goods and/or services to outside parties. An enterprise Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its affairs.

- Financial Assets –
  An asset on hand at the end of the accounting period, which could provide resources to discharge existing liabilities or finance future operations. Financial assets include cash and assets that are convertible into cash and are not intended for consumption in the normal course of activities.

- Full Accrual Accounting –
  The method of recording transactions by which revenues and expenses are reflected in the determination of results for the period in which they are considered to have been earned and incurred, respectively, whether or not such transactions have been settled finally by the receipt or payment of cash or its equivalent.

- G-7 (Group of Seven) –
  The G-7 consists of the world's seven largest industrial market economies: the United States, Japan, Germany, France, Great Britain, Italy and Canada. The leaders of these countries meet annually to discuss political and economic issues of mutual concern. In addition, G-7 finance ministers meet several times a year to discuss economic policy. Their work is supported by regular, functional meetings of officials, including the G-7 Finance Deputies.

- Gross Domestic Product (GDP) –
  The total value of all goods and services produced within Canada during a given year. It is a measure of the income generated by production within Canada. Also referred to as annual economic output or, more simply, output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. GDP would not include the wheat used to make bread, but would include the bread itself.

- Net Book Value of Tangible Capital Assets –
  The cost of tangible capital assets less both accumulated amortization and the amount of any write-downs.

- Net Debt –
  The total liabilities of the government less its financial assets.

- Non-Financial Assets –
  An asset on hand at the end of the accounting period, which could not normally be converted to cash to pay off the debt, without disrupting government operations.

- Operating Lease –
  A lease in which the lessor retains substantially all the benefits and risks of ownership.

- Other comprehensive income :
  Other comprehensive income holds any unrealized gains and losses resulting from the change in market value on assets that are classified as available-for-sale or derivative instruments used in hedging activities.

- Public Money –
  All money belonging to Canada received or collected by the Receiver General or any other public officer in his official capacity or any person authorized to receive or collect such money.

- Real Return Bonds –
  These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on real return bonds are adjusted for changes in the consumer price index.

- Retail Debt –
  Canada Savings Bonds, Canada Premium Bonds and Canada Investment Bonds.

- Surplus –
  The amount by which government revenue exceeds expenses in any given year.

- Swap –
  An agreement that exchanges one type of return or financial instrument for another (e.g. a fixed for a floating rate of interest).

- Tangible Capital Asset –
  A non-financial asset having physical substance that:
  (i) is held for use in the production or supply of goods and services;
  (ii) has a useful economic life extending beyond an accounting period; and
  (iii) has been acquired to be used on a continuing basis.

- Transfer Payments –
  A transfer of money from a government to an individual, an organization or another government for which the government making the transfer does not:
  (i) receive any goods or services directly in return as would occur in a purchase/sales transaction;
  (ii) expect to be repaid in the future, as would be expected in a loan; or
  (iii) expect a financial return, as would be expected in an investment.

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# SECTION 2

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

# Financial Statements of the Government of Canada and Report and Observations of the Auditor General of Canada

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## PREFACE TO THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of these financial statements is to provide information to Parliament, and thus to the public, to facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which the Government is responsible. These financial statements reflect the financial position of the Government at the reporting date, as well as its results of operations, accumulated deficit, change in net debt and cash flow for the year then ended.

The two fundamental concepts underlying the Government's accounting system are found in the Constitution Acts: first, that all duties and revenues received, other than those reserved to the provinces, "shall form One Consolidated Revenue Fund" (CRF); second, that the balance of the CRF, after certain prior charges, "shall be appropriated by the Parliament of Canada".

The right of Canada to raise taxes and revenues is contained in the Constitution Acts, and is given specific form in various Acts passed by Parliament. Revenues can be raised and moneys can be spent or borrowed by the Government only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the CRF. All disbursements from the CRF for spending on operations, for loans, investments and advances, and for the redemption of matured debt, must be authorized by Parliament, through annual appropriation acts and other statutes.

Wholly-owned Crown corporations that are agents of Her Majesty may also only borrow as authorized by Acts of Parliament. Such Acts usually place a ceiling on the amount of borrowings that can be outstanding at any one time. Non-agent Crown corporations and other government business enterprises can borrow without specific parliamentary authority, although such borrowings are sometimes guaranteed by the Government with the authority of Parliament.

The financial statements of the Government of Canada consist of four statements and accompanying notes.

The first is the **Statement of Operations and Accumulated Deficit**, which presents the Government's revenues, expenses, surplus, and other comprehensive income for the year, and the net accumulation of the annual surpluses and deficits since Confederation.

The second is the **Statement of Financial Position**, which discloses the Government's cash balance and investments, amounts owing to and by the Government at the end of the year, and the Government's non-financial assets such as its tangible capital assets and inventories. It also presents both the accumulated deficit of the Government and its net debt which is the difference between the Government's total liabilities and its financial assets.

The third is the **Statement of Change in Net Debt**, which explains the difference between the Government's annual surplus and the change in the net debt for the year. It reports the extent to which revenues recognized in the year were sufficient to offset expenditures, as opposed to the expenses recognized in the annual surplus.

The fourth is the **Statement of Cash Flow**, which provides information on the Government's cash provided by or used for operating, capital investment, investing and financing activities.

Other sections in this volume together with Volume II and Volume III of the *Public Accounts of Canada*, provide more detailed supplementary information in respect of matters reported in the financial statements. The report of the Auditor General of Canada on the financial statements does not extend to this supplementary information.

## STATEMENT OF RESPONSIBILITY

The financial statements in this section are prepared by the Government of Canada in accordance with the accounting policies set out in Note 1 to the financial statements, which are based on Canadian generally accepted accounting principles for the public sector, and on a basis consistent with that of the preceding year.

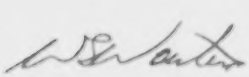
Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada in compliance with governing legislation. The financial statements are prepared on a full accrual basis of accounting whereby, assets include both financial and non-financial assets, revenues, including tax revenues are recorded when earned, and expenses include accrued expenses and amortization of tangible capital assets. The information included in these financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, the Government maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded so as to maintain accountability of public money and safeguard the assets and properties of Canada under Government administration. The Receiver General for Canada maintains the accounts of Canada, a centralized summary record of the Government's financial transactions. Additional information is obtained as required, from departments, agencies, Crown corporations, other government business enterprises, and other entities to meet accounting and reporting requirements.

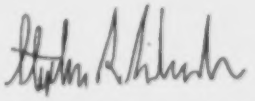
The Government presents the financial statements to the Auditor General of Canada who audits them and provides an independent audit opinion to the House of Commons. The duties of the Auditor General of Canada in that respect are contained in section 6 of the *Auditor General Act*. Additional information is provided in the observations of the Auditor General of Canada at the end of this section.

Annually, the financial statements are tabled in the House of Commons as part of the *Public Accounts of Canada*, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

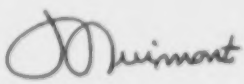
On behalf of the Government of Canada.



WAYNE G. WOUTERS
*Secretary of the Treasury Board of Canada*



STEPHEN R. RICHARDSON
*for* ROBERT A. WRIGHT
*Deputy Minister of Finance*



FRANÇOIS GUIMONT
*Deputy Receiver General for Canada*

September 17, 2008

Auditor General of Canada
Vérificatrice générale du Canada

## REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

To the House of Commons

I have audited the statement of financial position of the Government of Canada as at March 31, 2008 and the statements of operations and accumulated deficit, change in net debt, and cash flow for the year then ended. These financial statements are the responsibility of the Government. My responsibility, as required by section 6 of the *Auditor General Act*, is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government as at March 31, 2008 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with the stated accounting policies of the Government set out in Note 1 to the financial statements, which conform with Canadian generally accepted accounting principles. As required by section 6 of the *Auditor General Act*, I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

Additional information and comments on the financial statements and this Report are included in my Observations at the end of Section 2, Volume I of the *Public Accounts of Canada 2008*.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
September 17, 2008

# GOVERNMENT OF CANADA

## Statement of Operations and Accumulated Deficit for the Year Ended March 31, 2008

(in millions of dollars)

| | 2008 | | 2007 |
|---|---|---|---|
| | Budget (Note 2) | Actual | Actual |
| **REVENUES** | | | |
| ***TAX REVENUES (Note 15)*** — | | | |
| **Income tax revenues** — | | | |
| Personal | 115,180 | 113,063 | 110,477 |
| Corporate | 36,315 | 40,628 | 37,745 |
| Other income tax revenues | 4,670 | 5,693 | 4,877 |
| ***Total income tax revenues*** | ***156,165*** | ***159,384*** | ***153,099*** |
| **Other taxes and duties** — | | | |
| Goods and services tax | 30,075 | 29,920 | 31,296 |
| Energy taxes | 5,420 | 5,139 | 5,128 |
| Customs import duties | 3,590 | 3,903 | 3,704 |
| Other excise taxes and duties | 5,080 | 5,245 | 5,189 |
| ***Total other taxes and duties*** | ***44,165*** | ***44,207*** | ***45,317*** |
| ***TOTAL TAX REVENUES*** | ***200,330*** | ***203,591*** | ***198,416*** |
| ***EMPLOYMENT INSURANCE PREMIUMS*** | ***16,150*** | ***16,558*** | ***16,789*** |
| ***OTHER REVENUES*** — | | | |
| Crown corporation revenues | 6,490 | 6,504 | 7,503 |
| Other program revenues | 11,815 | 13,895 | 11,544 |
| Foreign exchange net revenues | 1,905 | 1,872 | 1,714 |
| ***TOTAL OTHER REVENUES*** | ***20,210*** | ***22,271*** | ***20,761*** |
| **TOTAL REVENUES** | **236,690** | **242,420** | **235,966** |
| **EXPENSES (Notes 3 and 15)** | | | |
| ***TRANSFER PAYMENTS*** — | | | |
| Old age security benefits, guaranteed income supplement and spouse's allowance | 31,960 | 31,955 | 30,284 |
| Other levels of government | 43,510 | 46,152 | 42,514 |
| Employment insurance benefits | 14,840 | 14,298 | 14,084 |
| Children's benefits | 11,740 | 11,894 | 11,214 |
| Other transfer payments | 31,105 | 27,032 | 26,844 |
| ***TOTAL TRANSFER PAYMENTS*** | ***133,155*** | ***131,331*** | ***124,940*** |
| ***OTHER PROGRAM EXPENSES*** — | | | |
| Crown corporation expenses | 6,930 | 7,340 | 7,211 |
| Ministry expenses | 59,535 | 60,827 | 56,118 |
| ***TOTAL OTHER PROGRAM EXPENSES*** | ***66,465*** | ***68,167*** | ***63,329*** |
| ***TOTAL PROGRAM EXPENSES*** | ***199,620*** | ***199,498*** | ***188,269*** |
| ***PUBLIC DEBT CHARGES*** | ***33,807*** | ***33,325*** | ***33,945*** |
| **TOTAL EXPENSES** | **233,427** | **232,823** | **222,214** |
| **ANNUAL SURPLUS** | **3,263** | **9,597** | **13,752** |
| **ACCUMULATED DEFICIT AT BEGINNING OF YEAR** | **467,268** | **467,268** | **481,499** |
| **OTHER COMPREHENSIVE INCOME (Note 4)** | | **34** | **479** |
| **ACCUMULATED DEFICIT AT END OF YEAR (Note 4)** | **464,005** | **457,637** | **467,268** |

The accompanying notes are an integral part of these statements.
Details (unaudited) can be found in other sections of this volume.

# GOVERNMENT OF CANADA

## Statement of Financial Position as at March 31, 2008

(in millions of dollars)

| | 2008 | 2007 |
|---|---|---|
| **LIABILITIES** | | |
| ***ACCOUNTS PAYABLE AND ACCRUED LIABILITIES —*** | | |
| Accounts payable and accrued liabilities (Note 14) | 47,000 | 50,730 |
| Tax payables | 49,010 | 41,388 |
| Environmental liabilities (Note 14) | 6,669 | 6,062 |
| Interest and matured debt | 7,182 | 7,516 |
| Allowance for guarantees (Note 14) | 602 | 815 |
| ***TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES*** | ***110,463*** | ***106,511*** |
| ***INTEREST-BEARING DEBT —*** | | |
| Unmatured debt (Note 5) | 390,697 | 414,192 |
| Pension and other liabilities | | |
| Public sector pensions (Note 6) | 137,371 | 134,726 |
| Other employee and veteran future benefits (Note 6) | 47,901 | 45,123 |
| Other liabilities (Note 7) | 5,895 | 5,211 |
| *Total pension and other liabilities* | *191,167* | *185,060* |
| ***TOTAL INTEREST-BEARING DEBT*** | ***581,864*** | ***599,252*** |
| **TOTAL LIABILITIES** | **692,327** | **705,763** |
| **FINANCIAL ASSETS** | | |
| ***CASH AND ACCOUNTS RECEIVABLE —*** | | |
| Cash | 13,729 | 22,696 |
| Tax receivables (Note 8) | 65,902 | 66,492 |
| Other accounts receivable (Note 8) | 3,247 | 3,398 |
| ***TOTAL CASH AND ACCOUNTS RECEIVABLE*** | ***82,878*** | ***92,586*** |
| ***FOREIGN EXCHANGE ACCOUNTS* (Note 9)** | ***42,299*** | ***44,178*** |
| ***LOANS, INVESTMENTS AND ADVANCES —*** | | |
| Enterprise Crown corporations and other government business enterprises (Notes 4, 10 and 14) | 30,167 | 23,683 |
| Other loans, investments and advances (Note 11) | 20,702 | 21,411 |
| ***TOTAL LOANS, INVESTMENTS AND ADVANCES*** | ***50,869*** | ***45,094*** |
| **TOTAL FINANCIAL ASSETS** | **176,046** | **181,858** |
| **NET DEBT** | **516,281** | **523,905** |
| **NON-FINANCIAL ASSETS** | | |
| Tangible capital assets (Note 12) | 51,175 | 49,036 |
| Inventories | 6,248 | 5,988 |
| Prepaid expenses | 1,221 | 1,613 |
| **TOTAL NON-FINANCIAL ASSETS** | **58,644** | **56,637** |
| **ACCUMULATED DEFICIT (Note 4)** | **457,637** | **467,268** |
| **CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES (Notes 13 and 14)** | | |

The accompanying notes are an integral part of these statements.
Details (unaudited) can be found in other sections of this volume.

# GOVERNMENT OF CANADA

## Statement of Change in Net Debt for the Year Ended March 31, 2008

(in millions of dollars)

| | 2008 | | 2007 |
|---|---|---|---|
| | Budget (Note 2) | Actual | Actual |
| **NET DEBT AT BEGINNING OF YEAR** | **523,905** | **523,905** | **536,946** |
| **CHANGE IN NET DEBT DURING THE YEAR —** | | | |
| **ANNUAL SURPLUS** | **-3,263** | **-9,597** | **-13,752** |
| **CHANGE DUE TO TANGIBLE CAPITAL ASSETS —** | | | |
| Acquisition of tangible capital assets | 5,515 | 5,957 | 4,789 |
| Amortization of tangible capital assets | -4,240 | -3,954 | -3,807 |
| Proceeds from disposal of tangible capital assets | -150 | -440 | -202 |
| Net loss (-) or gain on disposal of tangible capital assets, including adjustments | | 576 | -99 |
| ***TOTAL CHANGE DUE TO TANGIBLE CAPITAL ASSETS*** | ***1,125*** | ***2,139*** | ***681*** |
| **CHANGE DUE TO INVENTORIES** | | **260** | **113** |
| **CHANGE DUE TO PREPAID EXPENSES** | | **-392** | **396** |
| **NET DECREASE IN NET DEBT DUE TO OPERATIONS** | **-2,138** | **-7,590** | **-12,562** |
| **OTHER COMPREHENSIVE INCOME (Notes 4 and 10)** | | **-34** | **-479** |
| **NET DECREASE IN NET DEBT** | **-2,138** | **-7,624** | **-13,041** |
| **NET DEBT AT END OF THE YEAR** | **521,767** | **516,281** | **523,905** |

The accompanying notes are an integral part of these statements.
Details (unaudited) can be found in other sections of this volume.

# GOVERNMENT OF CANADA

## Statement of Cash Flow for the Year Ended March 31, 2008

(in millions of dollars)

| | 2008 | 2007 |
|---|---|---|
| **OPERATING ACTIVITIES —** | | |
| **ANNUAL SURPLUS** | **9,597** | **13,752** |
| **Items not affecting cash —** | | |
| Share of annual profit in enterprise Crown corporations and other government business enterprises | -4,256 | -5,136 |
| Amortization of tangible capital assets | 3,954 | 3,807 |
| Net loss or gain (-) on disposal of tangible capital assets, including adjustments | -576 | 99 |
| Change in inventories and prepaid expenses | 132 | -509 |
| Change in pension and other liabilities | 6,107 | 5,136 |
| Change in foreign exchange accounts | 1,879 | -3,351 |
| Net change in other accounts | 5,194 | -1,508 |
| ***CASH PROVIDED BY OPERATING ACTIVITIES*** | ***22,031*** | ***12,990*** |
| **CAPITAL INVESTMENT ACTIVITIES —** | | |
| Acquisition of tangible capital assets | -5,957 | -4,789 |
| Proceeds from disposal of tangible capital assets | 440 | 202 |
| ***CASH USED BY CAPITAL INVESTMENT ACTIVITIES*** | ***-5,517*** | ***-4,587*** |
| **INVESTING ACTIVITIES —** | | |
| Enterprise Crown corporations and other government business enterprises | | |
| Equity transactions | 2,436 | 2,607 |
| Loans and advances issued | -5,052 | -3,713 |
| Loans and advances repayments | 435 | 3,894 |
| Other loans, investments and advances issued | -6,571 | -16,969 |
| Other loans, investments and advances repayments | 6,883 | 16,475 |
| ***CASH USED (-) OR PROVIDED BY INVESTING ACTIVITIES*** | ***-1,869*** | ***2,289*** |
| ***TOTAL CASH GENERATED BEFORE FINANCING ACTIVITIES*** | ***14,645*** | ***9,792*** |
| **FINANCING ACTIVITIES —** | | |
| Canadian currency borrowings issued | 343,755 | 369,354 |
| Canadian currency borrowings repayments | -366,493 | -373,886 |
| Foreign currencies borrowings issued | 11,099 | 11,586 |
| Foreign currencies borrowings repayments | -11,973 | -15,299 |
| ***CASH USED BY FINANCING ACTIVITIES*** | ***-23,612*** | ***-8,245*** |
| **NET DECREASE (-) OR INCREASE IN CASH** | **-8,967** | **1,547** |
| ***CASH AT BEGINNING OF YEAR*** | ***22,696*** | ***21,149*** |
| ***CASH AT END OF YEAR*** | ***13,729*** | ***22,696*** |
| **SUPPLEMENTARY INFORMATION** | | |
| Cash used for interest | 19,357 | 20,026 |

The accompanying notes are an integral part of these statements.
Details (unaudited) can be found in other sections of this volume.

# Notes to the Financial Statements of the Government of Canada

## 1. Summary of Significant Accounting Policies

### Reporting entity

The reporting entity of the Government of Canada includes all departments, agencies, corporations, organizations, and funds, which are controlled by the Government. For financial reporting purposes, control is defined as the power to govern the financial and operating policies of an organization with benefits from the organization's activities being expected, or the risk of loss being assumed by the Government. All organizations defined as departments and as Crown corporations in the *Financial Administration Act* are included in the reporting entity. Other organizations not listed in the *Financial Administration Act* may also meet the definition of control and they are included in the Government's reporting entity if their revenues, expenses, assets or liabilities are significant.

The financial activities of all of these entities are consolidated in these financial statements, except for enterprise Crown corporations and other government business enterprises, which are not dependent on the Government for financing their activities. These corporations are reported under the modified equity basis of accounting.

The Canada Pension Plan is excluded from the reporting entity because changes to the Plan require the agreement of two thirds of participating provinces and it is therefore not controlled by the Government.

### Basis of accounting

These financial statements are prepared using the Government's accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

The Government reports all revenues and expenses on an accrual basis. Assets are carried at the lower of cost or net realizable value. Liabilities and financial obligations to outside organizations are recorded at the estimated amount ultimately payable. Both financial assets and non-financial assets are reported on the Statement of Financial Position. Non-financial assets are charged to expense through amortization or upon utilization. Non-financial assets are not taken into consideration when determining the net debt of the Government, but rather are deducted from the net debt to determine the accumulated deficit. Other comprehensive income resulting from the accounting of enterprise Crown corporations under the modified equity basis is excluded from the calculation of the Government's annual surplus and is recorded directly to the Government's accumulated deficit and net debt.

### Revenues

Tax revenues are non-exchange transactions, which are derived from exchange transactions between third parties. They are recognized, on an accrual basis, in the period in which the event that gave rise to the revenue takes place. Income tax revenue is recognized when the taxpayer has earned the income subject to the tax. Domestic goods and services tax revenue is recognized at the time of the sale of goods or the provision of services and is presented on the Statement of Operations and Accumulated Deficit net of tax credits. Excise duties revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. Excise tax revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. Customs duties and goods and services tax revenue on imports is recognized when goods are authorized to enter Canada.

Tax revenues are measured from amounts assessed and from estimates of amounts not assessed based on cash received. Annual revenues also include adjustments between the estimated revenues of previous years and actual amounts, as well as revenues from reassessments relating to prior years. Revenues do not include estimates for amounts of unreported taxes.

Tax revenues that were not collected at year-end and refunds that were not yet disbursed are reported respectively as tax receivables and tax payables on the Statement of Financial Position. These amounts also include other receivables and payables for amounts collected through the tax system such as employment insurance premiums.

Other revenues are recognized in the period to which they relate. Employment insurance premiums are recognized as revenue in the period the insurable earnings are earned.

### Expenses

Expenses for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.

Expenses include provisions to reflect changes in the economic value of assets or liabilities, including provisions for bad debts, for loans, investments and advances, and for inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

Premiums and discounts on public debt are amortized on a straight line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded as part of public debt charges.

**Foreign exchange accounts**

Short-term deposits, marketable securities and special drawing rights held in the foreign exchange accounts are recorded at cost. Marketable securities are adjusted for amortization of purchase discounts and premiums. Purchases and sales of securities are recorded at the settlement date. Write-downs to reflect other than temporary impairment in the fair value of securities are included in foreign exchange net revenues on the Statement of Operations and Accumulated Deficit. Canada's subscriptions to the capital of the International Monetary Fund are recorded at cost.

**Loans, investments and advances**

Loans, investments and advances are initially recorded at cost and are adjusted to reflect the concessionary terms of those loans made on a long-term, low interest or interest-free basis and the portion of the loans that are expected to be repaid from future appropriations.

Afterwards an allowance for valuation is used to reduce the carrying value of loans, investments and advances to amounts that approximate their net realizable value.

For loans to national governments, including developing countries, the allowance is determined based on the Government's identification and evaluation of countries that have formally applied for debt service relief, on estimated probable losses that exist on the remaining portfolio, and on changes in the economic conditions of sovereign debtors.

For loans, investments and advances to international organizations, an allowance is established based on their concessionary terms and their collectibility.

**Non-financial assets**

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized to expense over the estimated useful lives of the assets. For certain tangible capital assets where the costs are not readily available, such as older buildings, estimated current costs have been extrapolated back in time in a systematic and rational manner to approximate original costs.

Inventories are comprised of spare parts and supplies that are held for future program delivery and are not intended for resale. They are valued at cost. Inventories that no longer have service potential are valued at the lower of cost or net realizable value. Items for which the costs are not readily available have been valued using management's best estimates of original cost based on available information.

Tangible capital assets do not include immovable assets located on Indian reserves, the cost of works of art and museum collections and Crown land to which no acquisition cost is attributable. Intangible assets are also not recognized in the Government's financial statements.

**Pensions and other employee and veteran future benefits**

Employees' entitlements to pension benefits and to other employee and veteran future benefits are reported on an actuarial basis. This process is intended to determine the current value of future entitlements and uses various estimates. When actual experience varies from estimates, the adjustments are amortized over the estimated average remaining service lives of the employees.

**Contingent liabilities**

Contingent liabilities, including provisions for losses on loan guarantees, are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

For loan guarantees, the amount of the allowance is estimated by taking into consideration the nature of the loan guarantee, loss experience and current conditions at the date of the preparation of the financial statements. The allowance is reviewed on an ongoing basis. Changes in the allowance are recorded as expenses in the year.

**Environmental liabilities**

Environmental liabilities consist of the estimated costs related to the management and remediation of environmentally contaminated sites and unexploded explosive ordnance affected sites, as well as the estimated costs of decommissioning nuclear facilities. For contaminated sites and unexploded explosive ordnance affected sites, a liability is accrued and an expense recorded based on management's best estimates when the contamination occurs or when the Government becomes aware of the contamination and is obligated, or is likely obligated to incur such costs. If the likelihood of the Government's obligation to incur these costs is

either not determinable or unlikely, or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

For the decommissioning of nuclear facilities, the liability reflects the present value of the expected decommissioning and site remediation costs. The liability is increased each year to reflect the time value of money, adjusted for changes in management estimates of costs, and is reduced by the actual expenditures incurred.

**Foreign currency translation**

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rates at March 31. Gains and losses resulting from foreign currency translation are reported on the Statement of Operations and Accumulated Deficit according to the activities to which they relate. Net gains and losses relating to the foreign exchange accounts, foreign debt and swap revaluations are presented with investment revenues from foreign exchange accounts under foreign exchange net revenues. Net gains and losses related to sovereign loans are presented with the return on investments from these loans under other program revenues. Net gains and losses relating to departmental sale or purchase of goods or services in foreign currency are presented against departmental program expenses under other program expenses.

**Use of estimates and measurement uncertainty**

The preparation of financial statements requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods could be significant to the financial statements. Some of the more significant estimates used in these financial statements affect the accrual of tax revenues and the related amounts receivable and payable, including the liabilities under provincial and territorial tax collection agreements, valuation allowances for loans, investments and advances, obligations for pensions and other employee and veteran future benefits, future payments related to contingent liabilities, environmental liabilities and transfer payments to other levels of government.

**Comparative information**

Comparative figures have been reclassified to conform to the current year's presentation.

## 2. Spending and Borrowing Authorities

*i. Spending authorities*

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes. When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. While there were no warrants in 2007-2008, one special warrant amounting to $11,470 million was issued for the period of April 1, 2006 to May 15, 2006, following the dissolution of Parliament on November 29, 2005 for the purposes of a general election. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued. This amount is therefore included in the authorities presented in the table below.

The Government uses the full accrual method of accounting to prepare its Budget and present its current financial statements. However, the spending authorities voted by Parliament remain on an expenditure basis, which uses only a partial accrual method of accounting. During the year, expenditures were made under the following authorities:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Annual spending limits voted by Parliament, including special warrants | 84,635 | 75,825 |
| Expenditures permitted under other legislation | 130,702 | 117,242 |
| Total budgetary expenditures authorized | 215,337 | 193,067 |
| Less: amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts | 8,992 | 7,150 |
| Total used | 206,345 | 185,917 |
| Effect of consolidation and full accrual accounting | 26,478 | 36,297 |
| Total expenses | 232,823 | 222,214 |

The use of budgetary expenditure authorities reported in the preceding table differs from the total expenses reported in the Statement of Operations and Accumulated Deficit. The difference is due to various factors. Spending authorities are presented on a partial accrual basis, while the Statement of Operations and Accumulated Deficit is prepared on a full accrual basis. The transactions of certain accounts with separate non-budgetary authorities and of certain Crown corporations or other controlled entities are consolidated with the Government's financial statements but are not included in the budgetary expenditure authorities available for use. Transfer payments to organizations within the Government reporting entity are recorded against a budgetary expenditure authority in the year they are disbursed to the organization, but they are recorded as a consolidated expense only when they are disbursed to the ultimate recipient outside of the Government reporting entity. Provisions for valuation of assets and liabilities are also not included in spending authorities.

In addition to the authorities for budgetary expenditures, non-budgetary spending of $113,624 million ($104,859 million in 2007) was authorized for loans, investments and advances. A net amount of $5,797 million was used ($1,311 million in 2007), an amount of $31 million lapsed ($58 million in 2007) and an amount of $107,796 million is available for use in subsequent years ($103,490 million in 2007).

Details (unaudited) about the source and disposition of authorities and the details of ministerial expenditures are provided in Volume II of the *Public Accounts of Canada*.

*ii. Over-expenditure of spending authorities*

During the year, the Correctional Service's grant–Penitentiary inmates accident compensation was overspent by less than $20,000.

Details (unaudited) of this overexpended authority can be found in the ministerial sections of Volume II of the *Public Accounts of Canada*.

*iii. Borrowing authorities*

The Government may borrow only on the authority of Parliament which is contained in Part IV of the *Financial Administration Act*. Section 43.1 of the *Financial Administration Act* empowers the Governor in Council to authorize the Minister of Finance to borrow money on behalf of Her Majesty in right of Canada. In 2007-2008, the Governor in Council specified $206,000 million to be the maximum aggregate amount of principal that may be borrowed during the fiscal year. During the year, $155,213 million of the borrowing authority was used.

*iv. Comparison of results against budget*

The budget amounts included in the Statement of Operations and Accumulated Deficit and the Statement of Change in Net Debt are derived from the amounts that were originally budgeted for 2007-2008 in the March 2007 budget (Budget 2007). Since actual opening numbers of the accumulated deficit and net debt were not available at the time of preparation of Budget 2007, the corresponding amounts in the budget column have been adjusted to the actual closing numbers of the previous year.

## 3. Expenses

Expenses in the Statement of Operations and Accumulated Deficit are as follows:

*i. Transfer payments to other levels of government*

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Canada health and social transfer | 31,346 | 28,640 |
| Fiscal arrangements | 14,570 | 13,033 |
| Other major transfers | 2,956 | 4,018 |
| Alternative payments for standing programs [1] | -2,720 | -3,177 |
| Total transfer payments to other levels of government | 46,152 | 42,514 |

Details (unaudited) can be found in Section 1 of Volume II of the *Public Accounts of Canada*.

(1) These amounts represent reduced transfer payments to a province that has entered into an arrangement under which the Federal Government provides an abatement for personal income taxes to taxpayers of that province.

### *ii. Public debt charges*

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Public debt charges related to unmatured debt — | | |
| Interest on unmatured debt | 14,230 | 15,201 |
| Amortization of discounts on Canada and Treasury Bills | 4,694 | 4,798 |
| Amortization of premiums, discounts and commissions on all other debts | 1,687 | 1,380 |
| Servicing costs and costs of issuing new borrowings | 53 | 73 |
| Total | 20,664 | 21,452 |
| Interest expense related to employee pensions and other future benefits | 12,336 | 12,137 |
| Other | 325 | 356 |
| Total public debt charges | 33,325 | 33,945 |

Certain comparative figures have been reclassified to conform to the current year's presentation.
Details (unaudited) can be found in Section 3 of this volume.

### *iii. Total expenses by segment*

In 2007-2008 the Government adopted the new recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants regarding segment disclosures. These new recommendations provide guidance on disclosure of detailed information of consolidated financial statements. The Government has defined the segments as the Ministries and Crown corporations and other entities. Additional segmented information is provided in Note 15. The following table presents the total expenses by segment after the elimination of internal transactions:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Ministries — | | |
| Agriculture and Agri-Food | 3,873 | 4,741 |
| Atlantic Canada Opportunities Agency | 340 | 355 |
| Canada Revenue Agency | 17,464 | 16,608 |
| Canadian Heritage | 1,811 | 1,753 |
| Citizenship and Immigration | 1,178 | 1,073 |
| Economic Development Agency of Canada for the Regions of Quebec | 306 | 326 |
| Environment | 1,579 | 1,725 |
| Finance | 79,258 | 76,574 |
| Fisheries and Oceans | 1,722 | 1,701 |
| Foreign Affairs and International Trade | 4,937 | 6,481 |
| Governor General | 20 | 19 |
| Health | 4,929 | 5,856 |
| Human Resources and Skills Development | 53,937 | 51,876 |
| Indian Affairs and Northern Development | 6,614 | 6,083 |
| Industry | 4,541 | 4,647 |
| Justice | 1,336 | 1,500 |
| National Defence | 17,546 | 15,974 |
| Natural Resources | 3,633 | 2,020 |
| Parliament | 527 | 511 |
| Privy Council | 309 | 301 |
| Public Safety and Emergency Preparedness | 8,025 | 7,536 |
| Public Works and Government Services | 2,317 | 2,869 |
| Transport | 3,123 | 2,648 |
| Treasury Board | 2,068 | 1,946 |
| Veterans Affairs | 1,303 | 928 |
| Western Economic Diversification | 251 | 339 |
| Provision for valuation and other items | 1,888 | -2,140 |
| Total ministries | 224,835 | 214,250 |
| Crown corporations and other entities | 7,988 | 7,964 |
| Total expenses | 232,823 | 222,214 |

Certain comparative figures have been reclassified to conform to the current year's presentation.
Details (unaudited) providing total expenses by segment and type can be found in Section 3 of this volume.

*iv. Total expenses by type of resources used in the operations*

The Statement of Operations and Accumulated Deficit and the previous table present a breakdown of expenses by segment, which represent the expenses incurred for each of the main functions of the Government. The following table presents the detail of these expenses broken down by the main objects of expense:

| | (in millions of dollars) | |
|---|---|---|
| Objects of expense | 2008 | 2007 |
| Transfer payments | 131,331 | 124,940 |
| Other program expenses — | | |
| Crown corporations [1] | 6,985 | 6,851 |
| Personnel | 35,820 | 32,923 |
| Transportation and communications | 2,978 | 2,749 |
| Information | 295 | 284 |
| Professional and special services | 7,019 | 6,712 |
| Rentals | 1,602 | 1,471 |
| Repair and maintenance | 2,582 | 2,311 |
| Utilities, materials and supplies | 2,894 | 2,671 |
| Other subsidies and expenses | 3,899 | 3,282 |
| Amortization expenses | 3,954 | 3,807 |
| Loss on disposal of assets | 139 | 268 |
| Total other program expenses | 68,167 | 63,329 |
| Total program expenses | 199,498 | 188,269 |
| Public debt charges | 33,325 | 33,945 |
| Total expenses | 232,823 | 222,214 |

Details (unaudited) reconciling objects of expense to objects of expenditure can be found in Section 3 of this Volume and details (unaudited) on ministerial expenditures by objects can be found in Section 1 of Volume II of the *Public Accounts of Canada*.

[1] This amount differs from the expense shown on the Statement of Operations and Accumulated Deficit due to the amortization expenses and loss on disposal of assets of consolidated Crown corporations, which are presented with their respective objects of expense.

*v. Significant transactions*

*Direct lending to Crown corporations*

In Budget 2007, the Government announced that, beginning in 2008, it would meet all of the borrowing needs of Business Development Bank of Canada, Canada Mortgage and Housing Corporation, and Farm Credit Canada through direct lending to these Crown corporations. The Government's own debt program has been adjusted to accommodate the additional need for funds. During the year, borrowings of $4,840 million were advanced under this initiative which has increased the balances of loans, investment and advances and unmatured debt on the Statement of Financial Position.

*Transfer payments*

In February 2008, the Government approved *An Act respecting payments to a trust established to provide provinces and territories with funding for community development* to provide funding totalling $1,000 million.

In Budget 2008, the Government announced various one-time transfers to support a number of initiatives. The more significant transfers included the creation of the Public Transit Capital Trust Fund with a transfer of $500 million and trusts with provinces and territories related to police officers recruitment totalling $400 million, which were charged to transfer payments to other levels of government. The *Budget Implementation Act* authorizing the payment to the trusts and transfer payment recipients received parliamentary approval in June 2008.

*Sale-leaseback transaction*

During the year, the Government concluded a transaction involving the sale and subsequent leaseback for twenty-five years of seven buildings. The transaction resulted in proceeds of $1,353 million.

## 4. Accumulated Deficit

The Government includes in its revenues and expenses, the transactions of consolidated Crown corporations and other entities controlled by the Government, and of certain accounts established for specified purposes. Legislation requires that the revenues of these specified purpose accounts be identified and that related payments be charged against such revenues. Except for the Employment Insurance Account, any deficiency of payments over revenues must be met through future revenues from these accounts. The following table shows the balances of these consolidated accounts and the equity of the consolidated Crown corporations and other entities included in the accumulated deficit:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Accumulated deficit, excluding consolidated accounts and accumulated other comprehensive income | 519,750 | 527,070 |
| Consolidated accounts — | | |
| Employment Insurance Account | -56,953 | -54,119 |
| Other insurance accounts | -126 | -25 |
| Other consolidated accounts | -299 | -301 |
| | 462,372 | 472,625 |
| Consolidated Crown corporations and other entities | -4,222 | -4,878 |
| Accumulated other comprehensive income | -513 | -479 |
| Accumulated deficit | 457,637 | 467,268 |

Details (unaudited) can be found in Section 4 of this volume.

Enterprise Crown corporations that are recorded under the modified equity basis continued the implementation of a new accounting standard whereby certain unrealized gains and losses on financial instruments are recorded as other comprehensive income. Accumulated other comprehensive income holds any unrealized gains and losses resulting from the change in market value of financial assets that are classified as available-for-sale or derivative instruments used in hedging activities. These unrealized gains and losses are recognized in other comprehensive income, but are excluded from the calculation of net income of the corporations until realized. As a result of implementing the new standard, the financial statements of these enterprise Crown corporations include a transitional adjustment that represents the adjustment of the previous carrying amount of the financial instruments held by the corporations that were classified as available-for-sale or derivative instruments used in hedging activities.

Under the modified equity basis of accounting, the enterprise Crown corporations' other comprehensive income is excluded from the calculation of the Government's annual surplus. It is instead recorded directly against the Government's accumulated deficit. Upon realization of these gains and losses, the associated amounts will be brought into the current period's Statement of Operations. The following table presents the changes in accumulated other comprehensive income:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Accumulated other comprehensive income at beginning of year | 479 | |
| Other comprehensive income – | | |
| Transitional adjustment | -5 | 527 |
| Net change in unrealized gains and losses (-) on available-for-sale financial instruments | -62 | -48 |
| Net change in fair value of derivatives designated as hedges | 101 | |
| Other comprehensive income | 34 | 479 |
| Accumulated other comprehensive income at end of year | 513 | 479 |

## 5. Unmatured Debt and Other Financial Instruments

*i. Unmatured debt*

Unmatured debt is composed of the following:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Market debt – | | |
| Payable in Canadian currency | 384,596 | 408,474 |
| Payable in foreign currencies | 9,498 | 10,372 |
| Total | 394,094 | 418,846 |
| Cross currency swap revaluation account | -1,420 | -1,091 |
| Unamortized discounts and premiums on market debt | -6,213 | -6,659 |
| Obligation related to capital leases | 4,236 | 3,096 |
| Total | 390,697 | 414,192 |

Unamortized discounts result from Treasury bills and Canada bills, which are issued at a discount in lieu of interest. Discounts or premiums also result from the Government's bond buy back program and from issuance of the market debt when the face value of the instrument issued differs from the proceeds received. The unamortized portion represents the amount of premium and discount that has not yet been recorded to public debt charges.

The following table presents the contractual maturity of debt issues and interest rates by currency and instrument type at gross value (in Canadian $):

(in millions of dollars)

| | Marketable bonds | | | | | | Canada bills | Notes | |
|---|---|---|---|---|---|---|---|---|---|
| Maturing year | Canadian $ | US$ | Euro | Treasury bills | Retail debt [1] | Bonds for Canada Pension Plan | US$ | Canada notes [2] and Euro medium-term notes [3] | Total |
| 2009 | 23,463 | 2,566 | 3,314 | 117,000 | 2,396 | 519 | 1,483 | 515 | 151,256 |
| 2010 | 26,829 | 162 | | | 730 | 71 | | 1,621 | 29,413 |
| 2011 | 19,278 | | | | 1,085 | 425 | | | 20,788 |
| 2012 | 20,028 | | | | 833 | 16 | | | 20,877 |
| 2013 | 17,181 | | | | 1,441 | 11 | | | 18,633 |
| 2014 and subsequent | 147,023 | 55 | | | 6,583 | | | | 153,661 |
| | 253,802 | 2,783 | 3,314 | 117,000 | 13,068 | 1,042 | 1,483 | 2,136 | 394,628 |
| Less: Government's holdings of unmatured debt [4] | 252 | 218 | | 64 | | | | | 534 |
| Total market debt | 253,550 | 2,565 | 3,314 | 116,936 | 13,068 | 1,042 | 1,483 | 2,136 | 394,094 |
| Nature of interest rate [5] | Fixed [6] | Variable | Fixed | Variable | Variable | Fixed | Variable | Fixed | |
| Effective weighted average annual interest rates including swaps on foreign currencies bonds and notes | 5.10 | 4.39 | 4.88 | 3.60 | 3.50 | 10.62 | 2.59 | 3.87 | |
| Range of interest rates | 2.00 - 11.75 | 2.69 - 9.70 | 4.88 | 2.03 - 4.78 | 2.50 - 5.50 | 9.15 - 11.33 | 1.56 - 4.29 | 1.90 - 4.50 | |

Details (unaudited) can be found in Section 6 of this volume.

(1) Includes $7,442 million of Canada savings bonds that are redeemable on demand.

(2) Includes one Canada note issued in Japanese yen of $515 million.

(3) Includes Euro medium-term notes issued in Euros of $1,621 million.

(4) Includes $218 million of securities held for the retirement of unmatured debt.

(5) Debt with maturity terms of less than one year is considered to have a variable interest rate. For marketable bonds and foreign currency notes, some of the fixed interest rates were converted into variable interest rates through swap agreements.

(6) Includes real return bonds which have a variable component based on the consumer price index.

*ii. Derivative financial instruments*

*(a) Swap agreements*

Government debt is issued at both fixed and variable interest rates and is denominated in Canadian dollars, US dollars and other currencies. The Government has entered into interest rate and cross currency swap agreements to facilitate management of its debt structure. In the case of interest rate swap agreements, fixed interest rate funding has been converted to variable rates tied to the Banker's Acceptance rates or London Interbank Offered Rates (LIBOR). In the case of cross currency swap agreements, Canadian dollar and other foreign currency debt has been converted into US dollars or other foreign currencies with either fixed interest rates or variable interest rates. As a normal practice, the Government's swap positions are held to maturity. The Government does not enter into swap agreements for speculative purposes.

The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges. Unrealized gains or losses due to fluctuations in the foreign exchange value of the swaps are presented in the cross currency swap revaluation account and are recognized as part of foreign exchange net revenues in the Statement of Operations and Accumulated Deficit.

Swaps with contractual or notional principal amounts outstanding at March 31 are as follows:

| | (in millions of dollars) | | | |
|---|---|---|---|---|
| | 2008 | | 2007 | |
| Maturing year | Interest rate swaps Canadian $ | Cross currency swaps Canadian $ | Interest rate swaps Canadian $ | Cross currency swaps Canadian $ |
| 2008 | | | 29 | 5,453 |
| 2009 | 1,232 | 2,549 | 1,386 | 2,705 |
| 2010 | | 3,592 | | 3,578 |
| 2011 | | 2,803 | | 2,744 |
| 2012 | | 2,236 | | 2,262 |
| 2013 | | 2,713 | | 2,844 |
| 2014 and subsequent | | 17,597 | | 13,470 |
| | 1,232 | 31,490 | 1,415 | 33,056 |

*(b) Credit risk related to swap agreements*

The Government manages its exposure to credit risk by dealing principally with financial institutions having credit ratings from at least two recognized rating agencies, one of which must be Standard & Poor's or Moody's. At the time of inception of the agreement, the credit rating of the institution must be at least A-.

The Government does not have a significant concentration of credit risk with any individual institution and does not anticipate any counterparty credit loss with respect to its swap agreements.

The following table presents the notional amounts of the swap agreements by ratings assigned by Standard & Poor's:

| | (in millions of dollars) | |
|---|---|---|
| Standard & Poor's | 2008 | 2007 |
| AA+ | 5,212 | 9,649 |
| AA | 11,982 | 6,170 |
| AA- | 9,827 | 16,086 |
| A+ | 5,496 | 2,393 |
| A | 205 | 173 |
| | 32,722 | 34,471 |

*iii. Managing foreign currency risk and sensitivity analysis to foreign currency exposures*

Interest rate and foreign currency risks are managed using a strategy of matching the duration structure and the currency of the Exchange Fund Account (EFA) assets and the related foreign currency borrowings of the Government of Canada. As at March 31, 2008, the EFA assets and the liabilities funding these assets were effectively "matched", which means that most price changes would affect both sides of the Statement of Financial Position equally. Assets related to the International Monetary Fund are only partially matched, as they are denominated in Special Drawing Rights.

The Government of Canada's foreign currency assets and liabilities are held in mainly three currency portfolios: the US dollar, the Euro and the Japanese yen. At March 31, 2008, a 1 percent appreciation of the Canadian dollar versus the US dollar, the Euro and the Japanese yen would have resulted in a foreign exchange gain of $2 million due to the unmatched exposure of the US dollar portfolio and in a foreign exchange loss of $4 million to the unmatched exposure of the Euro portfolio. The Japanese yen portfolio was matched in terms of currency exposure at March 31, 2008.

*iv. Obligation related to capital leases*

The Government's total obligation related to capital leases as at March 31, 2008 is $4,236 million ($3,096 million in 2007). Interest on the obligation related to capital leases of $204 million ($187 million in 2007) is included in expenses as part of public debt charges. Future minimum lease payments are summarized as follows:

| Maturing year | (in millions of dollars) |
|---|---|
| 2009 | 474 |
| 2010 | 459 |
| 2011 | 454 |
| 2012 | 426 |
| 2013 | 409 |
| 2014 and subsequent | 5,014 |
| Total minimum lease payments | 7,236 |
| Less: imputed interest at the average rate of 6.17 percent | 3,000 |
| Obligation related to capital leases | 4,236 |

Details (unaudited) can be found in Section 6 of this volume.

*v. Fair values of financial instruments*

*(a) Financial assets and liabilities*

The following table presents the carrying value and the fair value of financial assets and liabilities. Fair values are Government estimates and are generally calculated using market conditions at a specific point in time where a market exists. Fair values of instruments with a short life span or of a non-negotiable nature are assumed to approximate carrying values. Fair values may not reflect future market conditions nor the actual values obtainable should the instrument be exchanged on the market. The calculations are subjective in nature and involve inherent uncertainties due to the unpredictability of future events.

(in millions of dollars)

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Difference | Carrying value | Fair value | Difference |
| Financial Assets | | | | | | |
| Cash and accounts receivable | 87,878 | 87,878 | | 97,586 | 97,586 | |
| Foreign exchange accounts | 42,799 | 42,909 | 610 | 44,178 | 44,059 | -119 |
| Loans, investments and advances excluding investments in enterprise Crown corporations | 28,662 | 30,563 | 1,901 | 24,740 | 26,633 | 1,893 |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | 110,463 | 110,463 | | 106,511 | 106,511 | |
| Unmatured debt | 390,697 | 430,946 | -40,249 | 414,197 | 446,605 | -32,413 |
| Public sector pensions | 137,371 | 138,874 | -1,503 | 134,726 | 132,685 | 2,041 |
| Other employee and veteran future benefits | 47,901 | 67,480 | -19,579 | 45,123 | 62,830 | -17,707 |
| Other liabilities | 5,895 | 5,895 | | 5,211 | 5,211 | |
| Net fair value in excess of carrying value | | | -58,870 | | | -46,305 |

Certain comparative figures have been restated to conform to the current year's presentation.

Fair values are determined using the following methods and assumptions:

The carrying values of short-term financial instruments are assumed to approximate their fair values due to their short-term maturity and allowances to reduce carrying values. These include cash, tax and other accounts receivable, accounts payable and accrued liabilities, tax payables and interest and matured debt.

Fair values of the securities and gold reserves held in the foreign exchange accounts are established using market quotes or other available market information. Financial claims and obligations with the International Monetary Fund denominated in foreign currencies are reported at Canadian dollar equivalents at March 31, which are assumed to approximate fair value.

Fair values of loans to enterprise Crown corporations are established using market quotes or the discounted cash flow calculated using year-end market interest rates. For portfolio or temporary investments, fair values are established using stock market quotes or other available information.

Fair values of other loans, investments and advances are assumed to approximate carrying values since allowances are used to reduce their carrying value to amounts that approximate their estimated realizable value.

For marketable bonds denominated in Canadian dollars and foreign currencies, treasury bills issued in Canadian dollars, Euro medium-term notes and Canada notes, fair values are established using market quotes or the discounted cash flow calculated using year-end market interest and exchange rates. The fair value of bonds issued to the Canada Pension Plan are established using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions on the bonds. Fair values of other instruments comprising the unmatured debt are deemed to approximate carrying values due to their short life span or their non-negotiable nature.

The fair values of pension and other employee and veteran future benefits liabilities are assumed to approximate the actuarial value of the accrued benefit obligations net of the fair values of the pension plan assets, which are established at market value for investments and at a discounted net present value for other plan assets.

*(b) Derivative financial instruments*

The following table presents the fair value of derivative financial instruments with contractual or notional principal amounts outstanding at March 31:

| | (in millions of dollars) | | | |
|---|---|---|---|---|
| | 2008 | | 2007 | |
| | Notional value | Fair value | Notional value | Fair value |
| Interest rate and cross currency swaps | 32,722 | 1,924 | 34,471 | 1,734 |

Fair values of the swap agreements are the estimated amount that the Government would receive or pay, based on market factors, if the agreements were terminated on March 31. They are established by discounting the expected cash flows of the swap agreements by using fiscal year-end market interest and exchange rates. A positive (negative) fair value indicates that the Government would receive (make) a payment if the agreements were terminated.

## 6. Public Sector Pensions and Other Employee and Veteran Future Benefits

*i. Pension benefits - plan overview*

The Government sponsors defined benefit pension plans covering substantially all its employees of the Public Service, as well as Public Service corporations, members of the Canadian Forces including the Reserve Force, members of the Royal Canadian Mounted Police, federally appointed judges and Members of Parliament. In this note, the term "employee benefits" is used in a general manner to apply to plan members of all of these groups.

The Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans represent the three main public sector pension plans. For these plans, pension benefits generally accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Since April 1, 2000, the net amount of contributions less benefits and payments related to post March 2000 service for these three main plans is invested in capital markets. The plans are generally funded from plan members' contributions, employer contributions, and investment earnings. Contributions and payments pertaining to the pre-April 2000 service and other pension plans, which are not invested externally, are recorded in pension accounts within the Accounts of Canada pursuant to pension legislation.

The following table presents a summary of the main pension transactions in the period:

(in millions of dollars)

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Funded plans | Others | Total | Funded plans | Others | Total |
| Contributions | | | | | | |
| Employees | 1,449 | 75 | 1,524 | 1,317 | 81 | 1,398 |
| Public Service corporations | 188 | 10 | 198 | 167 | 10 | 177 |
| Government | 3,126 | 171 | 3,297 | 2,880 | 170 | 3,050 |
| Total | 4,763 | 256 | 5,019 | 4,364 | 261 | 4,625 |
| Benefits paid | 367 | 7,043 | 7,410 | 256 | 6,790 | 7,046 |

Details (unaudited) can be found in Section 6 of this volume.

*ii. Other future benefits - plan overview*

The Government also sponsors a variety of other future benefit plans from which employees and former employees (including military or Royal Canadian Mounted Police members) can benefit, during or after employment or upon retirement. The cost of these benefits can accrue either during the service life of employees or upon occurrence of an event giving rise to the liability under the terms of the plans. The Government is liable for future payments for the disability and other benefits paid to war veterans, the Canadian Forces retired veterans and still-serving members, their survivors and dependants, as well as to current and former members of the Royal Canadian Mounted Police and their survivors and dependants. Other significant future benefits for which the Government is liable include the health care and dental plans available to retired employees and their dependants, severance benefits, and workers' compensation benefits.

All of these plans are unfunded. The health care and dental plans are contributory plans, whereby contributions by retired plan members are made in the year in which the benefits are payable. These contributions amounted to $117 million in 2008 ($109 million in 2007). The Government's costs and benefits paid are presented net of these contributions.

*iii. Future benefit liability and plan assets*

The pension and other employee and veteran future benefit liability at March 31, 2008 includes the following components:

(in millions of dollars)

| | Pensions | | Other future benefits | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Accrued benefit obligation | 178,580 | 168,255 | 67,480 | 62,830 |
| Less: Pension plan assets | | | | |
| Investments at market related value | 38,691 | 31,620 | | |
| Contributions receivable from employees for past service | 781 | 602 | | |
| Total | 39,472 | 32,222 | | |
| | *139,108* | *136,033* | *67,480* | *62,830* |
| Unamortized estimation adjustments | -1,737 | -1,307 | -19,579 | -17,707 |
| Pension and other employee and veteran future benefit liability | 137,371 | 134,726 | 47,901 | 45,123 |

Details (unaudited) can be found in Section 6 of this volume.

Pension plan assets include marketable investments and contributions receivable from employees for past service buy back elections. The investments are valued at market related values and contributions receivable for past service are discounted to approximate their fair value.

The market related value of investments is established on the basis of an expected rate of return on investments, whereby the fluctuations between the market and expected market value are averaged over a five-year period, within a ceiling of plus or minus 10 percent of the market value. At

March 31, 2008, the market value of the investments is $38,925 million ($34,968 million in 2007). These investments include certain assets that were written-down during 2008 as a result of deteriorated credit market conditions. These include $1,972 million in asset backed commercial papers (ABCP) that were affected by a write-down of approximately $450 million and investments in collateralized debt obligations (CDO) of $1,400 million that were affected by a write-down of approximately $470 million.

Changes in market related values from year to year are recognized on the Statement of Operations and Accumulated Deficit through the expected return on plan assets and the amortization of the difference between expected values and market related values of plan assets over the estimated average remaining service life of plan members. As a result of these amortization mechanisms, variations in market value may reverse themselves, or change significantly, before they are fully recognized through the Statement of Operations and Accumulated Deficit over time.

*iv. Future benefit expense*

The pension and other employee and veteran future benefits related expense includes the following components:

(in millions of dollars)

| | Pensions | | Other future benefits | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Net expense related to employee pensions and other future benefits | | | | |
| Net benefits earned | 3,209 | 2,915 | 1,570 | 1,243 |
| Amortization of estimation adjustments | 269 | -509 | 1,821 | 1,318 |
| Plan amendment costs | 9 | 2,138 | 406 | 119 |
| Recognition of net unamortized gains | | -518 | | |
| Total | 3,487 | 4,026 | 3,797 | 2,680 |
| Interest expense related to employee pensions and other future benefits | | | | |
| Interest on average accrued benefit obligation | 11,630 | 11,148 | 2,740 | 2,648 |
| Expected return on average pension plan assets | -2,034 | -1,659 | | |
| Total | 9,596 | 9,489 | 2,740 | 2,648 |
| Total expense related to employee pensions and other future benefits | 13,083 | 13,515 | 6,537 | 5,328 |

Details (unaudited) can be found in Section 6 of this volume.

(1) Other future benefits expense includes a one-time adjustment of $179 million related to the Reserve Force Retirement Gratuity Program that was enhanced in 2007 and that is recorded in 2008 for the first time.

*(a) Cost of plan amendments*

In 2008, amendments were made to the *Public Service Superannuation Regulations* to allow members attaining the age of 69 to accrue additional pensionable service and to align certain benefits available to operational service employees at Correctional Service Canada with similar benefits of the Royal Canadian Mounted Police pension plan. These amendments resulted in a one-time estimated past service cost of $9 million, which is recorded to the future benefit expense and to the year-end accrued benefit obligation.

In 2008, other future benefits were extended to certain eligible survivors of War Veterans and improvements were made through the approval for the opening of new Operational Stress Injury Clinics to better support military personnel, Royal Canadian Mounted Police members and their family in dealing with stress related injuries. These amendments resulted in a one-time estimated past service cost of $406 million, which is recorded to the future benefit expense and to the year-end accrued benefit obligation.

In 2007, amendments made to the pension plans had resulted in a one-time estimated past service cost of $1,347 million for the Public Service pension plan, $503 million for the Canadian Forces pension plan, $161 million for the Royal Canadian Mounted Police pension plan and $127 million for the Canadian Reserve Force pension plan. These amendments had also resulted in the accelerated recognition to expense of net unamortized gains of $48 million in the Public Service pension plan, $335 million in the Canadian Forces pension plan and $135 million in the Royal Canadian Mounted Police pension plan.

In 2007, the extension of the health care and dental retirement benefits to Canadian Forces reservists had also resulted in a one-time estimated past service cost of $103 million for the health care plan and of $16 million for the dental plan.

*(b) Interest expense*

The interest expense calculated on the average actuarial obligation is reported as part of public debt charges. It is presented net of the expected return on the average market related value of pension plan assets. During the year, the actual rate of return of marketable investments calculated on a time-weighted basis was minus 0.3 percent (11.3 percent in 2007). The negative return achieved in 2008 results in part from the write down of $450 million due to holdings of ABCP and the write down of $470 million due to holdings of CDO at year-end. These losses are unrealized at March 31, 2008.

*v. Change in accrued benefit obligation and market related value of investments*

The changes in the accrued benefit obligation and in the pension investments during the year were as follows:

(in millions of dollars)

| | Pensions | | Other future benefits | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Accrued benefit obligation at beginning of year | 168,255 | 155,795 | 62,830 | 56,929 |
| Benefits earned | 4,902 | 4,460 | 1,570 | 1,243 |
| Interest on average accrued benefit obligation | 11,630 | 11,148 | 2,740 | 2,648 |
| Benefits paid | -7,410 | -7,046 | -3,717 | -3,528 |
| Administrative expenses | -111 | -91 | -42 | -46 |
| Net transfers to other plans | -374 | -268 | | |
| Plan amendments | 9 | 2,138 | 406 | 119 |
| Actuarial losses | 1,679 | 2,119 | 3,693 | 5,465 |
| Accrued benefit obligation at end of year | 178,580 | 168,255 | 67,480 | 62,830 |
| Market related value of investments at beginning of year | 31,620 | 24,854 | | |
| Expected return on plan assets | 2,034 | 1,659 | | |
| Contributions | 4,763 | 4,364 | | |
| Benefits, transfers and other | -526 | -373 | | |
| Actuarial gains | 800 | 1,116 | | |
| Market related value of investments at end of year | 38,691 | 31,620 | | |

*vi. Actuarial valuations and assumptions*

Actuarial valuations of the pension plans are performed every three years for funding purposes. The most recent valuations for the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans were conducted as at March 31, 2005, while the valuations for the Members of Parliament and the federally appointed judges were conducted as at March 31, 2007.

The valuations for pensions and other future benefits, except for the veterans' benefits, are updated annually for accounting purposes based on the most recent or any in-progress triennial valuation. The valuation for the veterans' benefits is performed every year for accounting purposes.

All annual actuarial valuations are prepared using assumptions that are based on Government's best estimates. The valuations are based on the projected benefit method prorated on service, except for the veterans' and workers' compensation valuations, for which benefits are accrued on an event driven basis. Many assumptions are required for this process, including estimates of future inflation, interest rates, expected return on investments, general wage increases, work-force composition, retirement rates and mortality rates. Estimation adjustments arise when actual experience varies from assumptions. They are amortized over the estimated average remaining service lives of plan members, which represent periods ranging from 5 to 15 years (7 to 16 years in 2007).

The assumptions for the long-term rate of inflation and long-term general wage increase used in the accounting valuations of all the plans are 2.0 percent and 2.9 percent respectively (2.0 percent and 2.9 percent in 2007). The discount rates used to value the liabilities at March 31, 2008 and the corresponding assumptions used in the cost of current service and in the interest expense are as follows:

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Liability valuation | | Expense valuation | Liability valuation | | Expense valuation |
| | Initial | Ultimate | | Initial | Ultimate | |
| Discount rates - pension liabilities | | | | | | |
| Expected rates of return on pension investments | 5.9% | 6.3% | 6.0% | 6.0% | 6.3% | 6.2% |
| Expected weighted average of long-term bond rates | 7.1% | 5.0% | 7.3% | 7.3% | 5.0% | 7.6% |
| Discount rates - other future benefits | | | | | | |
| Expected long-term bonds rates | 4.1% | 5.0% | 4.4% | 4.4% | 5.0% | 4.8% |
| Cost increase rates - health care | | | | | | |
| Expected health care cost increase rates | 8.0% | 3.5% | 7.9% | 7.9% | 3.5% | 8.1% |
| Expected year to achieve ultimate rate | | 2022 | | | 2021 | |

Changes in assumptions can result in significantly higher or lower estimates of liabilities. The following table illustrates the possible impact of a 1 percent change in the main assumptions:

| | (in millions of dollars) | | | |
|---|---|---|---|---|
| | Pensions | | Other future benefits | |
| | 2008 | 2007 | 2008 | 2007 |
| Possible impact on liabilities due to: | | | | |
| Increase of 1 percent in discount rate | -21,900 | -21,300 | -8,400 | -7,300 |
| Decrease of 1 percent in discount rate | 28,100 | 27,000 | 10,900 | 9,300 |
| Increase of 1 percent in inflation rate | 21,900 | 20,700 | 9,800 | 7,100 |
| Decrease of 1 percent in inflation rate | -18,100 | -17,000 | -7,700 | -5,500 |
| Increase of 1 percent in general wage increase | 5,600 | 5,200 | 400 | 400 |
| Decrease of 1 percent in general wage increase | -4,400 | -4,300 | -400 | -400 |
| Increase of 1 percent in health care cost increase | | | 3,000 | 2,800 |
| Decrease of 1 percent in health care cost increase | | | -2,400 | -2,200 |

## 7. Other Liabilities

Other liabilities are comprised of the following:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Due to Canada Pension Plan | 106 | 54 |
| Others | | |
| Government Annuities Account | 293 | 319 |
| Deposit and trust accounts | 2,080 | 1,359 |
| Other specified purpose accounts | 3,416 | 3,479 |
| | 5,789 | 5,157 |
| Total other liabilities | 5,895 | 5,211 |

*i. Due to Canada Pension Plan*

As explained in Note 1, the financial activities of the Canada Pension Plan (the Plan) are not included in these financial statements.

The Plan is a federal/provincial program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec, which has a comparable program. The Plan is administered by the Government of Canada under joint control with the participating provinces. Payments of pensions and benefits from the Plan are financed from contributions by employers, employees and self-employed persons, and from the income earned on investments. As administrator, the Government's authority to spend is limited to the Plan's net assets. At March 31, 2008, the fair value of the Plan's net assets is $126,785 million ($119,831 million in 2007).

The Canada Pension Plan Account (the Account) was established in the Accounts of Canada to record the transactions of the Plan, as well as the amounts transferred to or received from the Canada Pension Plan Investment Fund and the Canada Pension Plan Investment Board. The Plan's deposit with the Receiver General for Canada of $106 million ($54 million in 2007) corresponds to the balance in the Account and is reported as the Government's liability to the Plan at March 31, 2008.

Details (unaudited) and the audited financial statements of the Plan can be found in Section 6 of this volume.

*ii. Others*

The Government Annuities Account, the deposit and trust accounts and the other specified purpose accounts are liability accounts that are used to record transactions made under authorities obtained from Parliament through either the *Financial Administration Act* or other specific legislation. Details (unaudited) on these accounts can be found in Section 6 of this volume.

## 8. Tax and Other Accounts Receivable

Tax receivables represent tax revenues that were assessed by year-end as well as amounts receivable due to the accrual of tax revenues as at March 31. These accrued receivables are not due until the next fiscal year. They also include other receivables for amounts collected through the tax system such as employment insurance premiums.

The Government has established an allowance for doubtful accounts based on aging of $8,735 million ($6,548 million in 2007) in relation to the total tax receivables. It also recorded a provision for bad debts of $3,749 million ($3,529 million in 2007), which is charged against other program expenses. The details of the tax receivables and allowance for doubtful accounts are as follows:

(in millions of dollars)

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Total tax receivables | Allowance for doubtful accounts | Net | Total tax receivables | Allowance for doubtful accounts | Net |
| Income tax receivables — | | | | | | |
| Individuals | 37,164 | 3,838 | 33,326 | 34,920 | 3,490 | 31,430 |
| Employers | 13,912 | 768 | 13,144 | 14,562 | 555 | 14,007 |
| Corporations | 10,686 | 1,456 | 9,230 | 9,665 | 1,055 | 8,610 |
| Non-residents | 1,117 | 180 | 937 | 1,081 | 66 | 1,015 |
| Goods and services tax receivable | 10,324 | 2,176 | 8,148 | 11,508 | 1,326 | 10,182 |
| Customs duties receivable | 269 | 22 | 247 | 220 | 26 | 194 |
| Excise taxes and duties receivable | 1,165 | 295 | 870 | 1,084 | 30 | 1,054 |
| Total | 74,637 | 8,735 | 65,902 | 73,040 | 6,548 | 66,492 |

Details (unaudited) can be found in Section 7 of this volume.

Other accounts receivable represent billed or accrued financial claims arising from amounts owed to the Government at year-end. Total other accounts receivable amount to $4,510 million ($4,581 million in 2007) and are presented net of an allowance for doubtful accounts of $1,263 million ($1,183 million in 2007). Further details (unaudited) can be found in Section 7 of this volume.

## 9. Foreign Exchange Accounts

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. The Government keeps certain investments in its Exchange Fund Account to provide general liquidity and to promote orderly conditions in the foreign exchange market for the Canadian dollar. As at March 31, 2008, the fair value of the marketable securities contained in the Exchange Fund Account was $40,403 million ($38,860 million in 2007). Further details on these investments are provided in the audited financial statements of the Exchange Fund Account in Section 8 of this volume.

The following table presents the balances of the foreign exchange accounts:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| International reserves held in the Exchange Fund Account | | |
| Cash and short-term deposits | 1,916 | 4,484 |
| Marketable securities | 39,891 | 39,055 |
| Other assets | 1,097 | 1,134 |
| Total | 42,904 | 44,673 |
| International Monetary Fund | | |
| Subscriptions | 10,752 | 11,106 |
| Total | 53,656 | 55,779 |
| Less: | | |
| International Monetary Fund | | |
| Notes payable | 10,041 | 10,242 |
| Special drawing rights allocations | 1,316 | 1,359 |
| Total | 11,357 | 11,601 |
| Total foreign exchange accounts | 42,299 | 44,178 |

Details (unaudited) can be found in Section 8 of this volume.

## 10. Crown Corporations and Other Entities

The Government wholly owns forty-two parent Crown corporations. There are also a number of not-for-profit corporations and other government business enterprises that meet the definition of control for financial reporting purposes and that are included in the reporting entity of the Government.

Some of these corporations rely on the Government for most of their financing. There are twenty-three Crown corporations and four not-for-profit corporations whose financial activities are consolidated in these financial statements. The major consolidated Crown corporations are Atomic Energy of Canada Limited, Canadian Broadcasting Corporation, Marine Atlantic Inc. and VIA Rail Canada Inc. The major consolidated not-for-profit corporations are the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation. Details (unaudited) of these corporations are included in Section 4 of this volume.

Other Crown corporations are government business enterprises that are able to raise substantial portions of their revenues through commercial business activity and are self-sustaining. These Crown corporations are called enterprise Crown corporations. The major enterprise Crown corporations include the Bank of Canada, Canada Mortgage and Housing Corporation, Canada Post Corporation and Export Development Canada.

There is also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are controlled by the Government. These are referred to as other government business enterprises. The major other government business enterprises include the Canadian Wheat Board, the St. Lawrence Seaway Management Corporation, and the Port Authorities of Halifax, Montreal, Quebec and Vancouver Fraser.

For enterprise Crown corporations and other government business enterprises, the Government records these investments under the modified equity method, whereby the cost of its equity is reduced by dividends received and adjusted to include the annual net profits and losses of these corporations, after elimination adjustments of unrealized inter-organizational gains and losses. Their assets and liabilities are not included in these financial statements, except for their borrowings, which are recorded as liabilities of the Government when they are not expected to be repaid directly by these corporations. Where the Government has advanced funds to the corporations to support their direct lending activities, the amounts are recorded as loans and advances by the Government.

The Government also reports any amounts receivable from or payable to these corporations. Other comprehensive income from enterprise Crown corporations is recorded directly to the Government's accumulated deficit and net debt. Under the modified equity basis of accounting, the corporations' accounts are not adjusted to the Government's basis of accounting. Most corporations follow Canadian generally accepted accounting principles used by private sector companies.

The following table presents the Government's recorded investment in significant enterprise Crown corporations and other government business enterprises:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Loans and advances | | |
| Canada Mortgage and Housing Corporation | 4,393 | 4,651 |
| Farm Credit Canada | 3,840 | |
| Business Development Bank of Canada | 1,000 | |
| Other | 134 | 98 |
| Total loans and advances | 9,367 | 4,749 |
| Investments | | |
| Canada Mortgage and Housing Corporation | 7,287 | 6,342 |
| Export Development Canada | 5,923 | 5,749 |
| Business Development Bank of Canada | 1,867 | 1,808 |
| Canada Post Corporation | 1,457 | 1,440 |
| Farm Credit Canada | 1,777 | 1,462 |
| Canada Deposit Insurance Corporation | 1,004 | 948 |
| Other | 2,892 | 2,605 |
| Total investments | 22,207 | 20,354 |
| Total | 31,574 | 25,103 |
| Less: | | |
| Amount expected to be repaid from future appropriations | 1,388 | 1,420 |
| Unamortized discounts and premiums | 19 | |
| Total | 30,167 | 23,683 |

Details (unaudited) can be found in Section 9 of this volume.

The following table presents the summary financial position and results of enterprise Crown corporations and other government business enterprises:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Assets (including capital assets, inventories and prepaid expenses of $8,299 ($6,464 in 2007)) | 276,882 | 237,433 |
| Liabilities | 254,758 | 217,159 |
| Net equity as reported | 22,124 | 20,274 |
| Elimination adjustments | 83 | 80 |
| Net equity | 22,207 | 20,354 |
| Revenues | 29,536 | 25,278 |
| Expenses | 25,341 | 20,149 |
| Net income for the year as reported | 4,195 | 5,129 |
| Elimination adjustments | 60 | 207 |
| Net income | 4,255 | 5,336 |
| Other changes in equity | | |
| Other comprehensive income | 34 | 479 |
| Dividends [1] | -2,436 | -2,604 |
| Capital | | 3 |
| | 1,853 | 3,214 |
| Opening net equity | 20,354 | 17,140 |
| Closing net equity | 22,207 | 20,354 |
| Contractual obligations | 11,179 | 8,763 |
| Contingent liabilities | 3,344 | 3,006 |

Details (unaudited) can be found in Section 9 of this volume.
[1] Amounts reported as dividends include $1,921 million ($1,984 million in 2007) from the Bank of Canada.

Non Public Property (NPP), as defined under the *National Defence Act*, consists of money and property contributed by Canadian Forces members and is administered for their benefit by the Canadian Forces Personnel Support Agency (CFPSA). The CFPSA is responsible for delivering selected morale and welfare programs, services and activities through three operational divisions, Canadian Forces Exchange System (CANEX), Personnel Support Programs and Service Income Security Insurance Plan (SISIP) Financial Services. Under the *National Defence Act*, NPP is explicitly excluded from the *Financial Administration Act*. The Government provides some services related to NPP activities such as accommodation and security for which no charge is made. The cost of providing these services is included in the financial statements of the Government of Canada. CFPSA administered estimated revenues and expenses of $305 million and $300 million respectively for 2007-2008 and net equity of $560 million at March 31, 2008 which are excluded from the financial statements of the Government of Canada.

## 11. Other Loans, Investments and Advances

The following table presents a summary of the balances of other loans, investments and advances by category:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| National governments, including developing countries and international organizations — | | |
| National governments including developing countries | 554 | 697 |
| International organizations | 14,476 | 14,155 |
| Total | 15,030 | 14,852 |
| Other loans, investments and advances — | | |
| Provincial and territorial governments | 3,744 | 4,643 |
| Other loans, investments and advances | 19,511 | 19,101 |
| Total | 23,255 | 23,744 |
| Total | 38,285 | 38,596 |
| Less: allowance for valuation | 17,583 | 17,185 |
| Total | 20,702 | 21,411 |

Details (unaudited) can be found in Section 9 of this volume.

Loans to national governments consist mainly of loans for financial assistance, international development assistance to developing countries, and loans for development of export trade which are administered by Export Development Canada. These loans bear interest at rates varying from 0 percent to 9.0 percent, and are repayable over 1 to 55 years, with final instalments in 2045.

Loans, investments and advances to international organizations include Canada's subscriptions to the share capital of international banks as well as loans and advances to associations and other international organizations. These subscriptions are composed of both paid-in and callable capital. They do not provide a return on investment but are repayable on termination of the organization or withdrawal from it. Most loans and advances to international organizations are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms.

Loans to provinces and territories include loans made under relief acts and other legislation. These loans bear interest at rates varying from 0 percent to 9.5 percent, and are repayable over 1 to 50 years, with final instalments in 2016.

Other loans, investments and advances include portfolio investments and loans and advances under various programs to individuals and organizations which include loans under the Canada Student Loans Program of $10,908 million ($9,876 million in 2007), and loans for development of export trade which are administered by Export Development Canada of $1,890 million ($2,321 million in 2007). Loans under the Canada Student Loans Program are provided interest-free to full-time students and afterwards bear interest at

either a variable prime rate plus 2.5 percent or a fixed prime rate plus 5.0 percent. The repayment period is generally 10 years. Loans for development of export trade bear interest at rates varying from 0 percent to 9.0 percent, and are repayable over 1 to 20 years, with final instalments in 2022.

## 12. Tangible Capital Assets

Tangible capital assets consist of acquired, built, developed or improved tangible assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services, including military activities. They include land, buildings, works and infrastructure, machinery and equipment, vehicles, leasehold improvements and assets under construction. Software and leasehold improvements include only the cost of assets acquired since April 1, 2001.

Tangible capital assets do not include immovable assets located on Indian reserves. In addition, the cost of works of art and museum collections consisting mainly of paintings, sculptures, drawings, prints, photographs, monuments, films and videos are charged to expense in the fiscal year in which they are acquired.

Except for land, the cost of tangible capital assets used in Government operations is generally amortized on a straight-line basis over the estimated life of the asset as follows:

| | |
|---|---|
| Buildings | 20 to 40 years |
| Works and infrastructure [1] | 5 to 40 years |
| Machinery and equipment | 3 to 30 years |
| Vehicles | 3 to 40 years |
| Leasehold improvements | lesser of useful life of improvement or lease term |
| Assets under construction | once in service, in accordance with asset type |
| Assets under capital leases | in accordance with asset type |

[1] Except for the Confederation Bridge, which is amortized over 100 years.

The following table presents a summary of the transactions and balances for the main categories of tangible capital assets:

(in millions of dollars)

| | Cost | | | | Accumulated amortization | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance | Acquisitions | Disposals and adjustments [1] | Closing balance | Opening balance | Amortization expense | Disposals and adjustments | Closing balance | Net book value 2008 | Net book value 2007 |
| Land | 1,399 | 20 | 49 | 1,370 | | | | | 1,370 | 1,399 |
| Buildings | 18,706 | 93 | -134 | 18,933 | 9,595 | 658 | 286 | 9,967 | 8,966 | 9,111 |
| Works and infrastructure | 11,002 | 73 | -237 | 11,312 | 6,156 | 345 | 48 | 6,453 | 4,859 | 4,846 |
| Machinery and equipment | 20,829 | 732 | -1,524 | 23,085 | 12,160 | 1,394 | -360 | 13,914 | 9,171 | 8,669 |
| Vehicles (ships, aircraft and others) | 31,723 | 590 | -1,184 | 33,497 | 18,390 | 1,203 | -12 | 19,605 | 13,892 | 13,333 |
| Leasehold improvements | 1,641 | 49 | -137 | 1,827 | 883 | 139 | 1 | 1,021 | 806 | 758 |
| Assets under construction | 7,813 | 4,162 | 3,176 | 8,799 | | | | | 8,799 | 7,813 |
| Assets under capital leases | 4,367 | 238 | -102 | 4,707 | 1,260 | 215 | 80 | 1,395 | 3,312 | 3,107 |
| Total | 97,480 | 5,957 | -93 | 103,530 | 48,444 | 3,954 | 43 | 52,355 | 51,175 | 49,036 |

Details (unaudited) can be found in Section 10 of this volume.

[1] Disposals and adjustments include assets under construction of $2,225 million that were transferred to other categories upon completion of the assets.

## 13. Contractual Obligations

The nature of government activity results in some large multi-year contracts and agreements including thousands of international treaties, protocols and agreements of various size and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts or agreements for the acquisition of goods and services or the provision of transfer payments are met. Major contractual obligations that will generate expenditures in future years and that can be reasonably estimated are summarized as follows:

| | (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Transfer payment agreements | 44,639 | 44,949 |
| Acquisition of property and equipment, and goods and services | 18,449 | 18,623 |
| Operating leases | 2,403 | 2,178 |
| International organizations | 1,791 | 2,204 |
| | 67,282 | 67,954 |

Details (unaudited) can be found in Section 11 of this volume.

Estimated future expenditures related to these contractual obligations are as follows:

| Year | (in millions of dollars) |
|---|---|
| 2009 | 15,095 |
| 2010 | 11,553 |
| 2011 | 6,706 |
| 2012 | 4,590 |
| 2013 | 3,743 |
| 2014 and subsequent | 25,595 |
| | 67,282 |

Details (unaudited) can be found in Section 11 of this volume.

*i. Transfer payment agreements*

Obligations related to transfer payment agreements include an amount of $26,525 million ($28,121 million in 2007) related to various contractual obligations of the Government through the Minister's account held at Canada Mortgage and Housing Corporation (CMHC) for social housing programs. Honouring these obligations currently amounts to about $1,700 million per year. The amounts reported for CMHC under obligations for transfer payment agreements for fiscal year 2007-2008 reflect the total estimated remaining contractual obligations that extend for periods up to 35 years.

*ii. Operating leases*

The Government rents premises and equipment under operating leases which expire at various dates. Future minimum lease payments as at March 31, 2008, total $2,403 million ($2,178 million in 2007).

## 14. Contingent Liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into contingent liabilities related to: guarantees by the Government, international organizations, contaminated sites, claims and pending and threatened litigation, and insurance programs.

*i. Guarantees by the Government*

The guarantees of the Government include the guarantees of the borrowings of agent enterprise Crown corporations, of certain other government business enterprises and of non-agent enterprise Crown corporations, guarantees of certain loans made by agent enterprise Crown corporations, guarantees, either collective or specific, of the loans of certain individuals and businesses obtained from private sector and guarantees of Government insurance programs. At March 31, 2008, these guarantees amount to $181,253 million ($151,446 million in 2007) for which an allowance of $602 million ($815 million in 2007) has been recorded.

*ii. International organizations*

The Government has callable share capital in certain international organizations that could require payments to those agencies. As at March 31, 2008, callable share capital amounts to $13,236 million ($14,690 million in 2007).

*iii. Contaminated sites*

The Government has identified approximately 20,000 sites for assessment, remediation and monitoring. Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites and unexploded explosive ordnance affected sites where the Government is obligated or likely obligated to incur such costs. The Government has identified approximately 2,390 sites (2,660 sites in 2007-restated), where such action is possible and for which a liability of $3,661 million ($3,134 million in 2007) has been recorded. A liability of $3,008 million ($2,928 million in 2007) was also recorded for decommissioning nuclear facilities bringing the recorded environmental liability to $6,669 million ($6,062 million in 2007).

The Government has estimated additional clean-up costs for which it may be potentially liable of $2,203 million ($3,243 million in 2007). These costs are not accrued as they are not considered likely to be incurred. The Government's ongoing efforts to assess contaminated sites and unexploded explosive ordnance affected sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any additional liabilities will be accrued in the year in which they become known.

*iv. Claims and pending and threatened litigation*

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. These claims include items with pleading amounts and many where an amount is not specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Government has recorded an allowance for claims and litigation where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Certain large and significant claims are described below:

*Comprehensive land claims*: Comprehensive land claims are negotiated in areas where aboriginal title has not been dealt with by treaty or by other legal methods. In such cases, the claim is based on an aboriginal group's traditional use and occupancy of that land. There are currently 75 (71 in 2007) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of $3,400 million ($3,400 million in 2007-restated) is estimated for claims that have progressed to a point where quantification is possible. The remaining claims are still in the early stage of negotiations and cannot yet be quantified.

*Assessed taxes under objection or appeal*: As at March 31, 2008, an amount of $10,353 million ($10,027 million in 2007) of federal and provincial taxes assessed was under objection at Canada Revenue Agency and an amount of $2,134 million ($2,164 million in 2007) was being appealed to either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

*Other*: In September 1999, the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* were amended to enable the federal government to deal with excess amounts in the superannuation accounts and pension funds governed by these Acts. The legal validity of these provisions has since been challenged in the Ontario Superior Court of Justice. On November 20, 2007, the Court rendered its decision and dismissed all the claims of the plaintiffs. Several of the plaintiffs are currently appealing this decision to the Ontario Court of Appeal. The outcome of these appeals is not determinable at this time.

*v. Insurance programs*

Three agent enterprise Crown corporations operate insurance programs for the Government. In the event that the corporations have insufficient funds, the Government will have to provide financing. The Canada Deposit Insurance Corporation operates the Deposit Insurance Fund which provides basic protection coverage to depositors for up to $100,000 deposited with each member bank, trust or loan company; Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions and the Mortgage-Backed Securities Guarantee Fund which guarantees the timely payment of the principal and interest for investors of securities based on the *National Housing Act* through the Mortgage-Backed Securities program and the bonds issued by the Canada Housing Trust through the Canada Mortgage Bond program; and Export Development Canada provides export and foreign investment insurance to help with export trade. At March 31, 2008, total insurance in force amounts to $1,021,569 million ($897,490 million in 2007). The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Further details (unaudited) can be found in Section 11 of this volume.

## 15. Segmented information

The presentation by segment is based on the ministry structure reported in the 2007-2008 Estimates, which represents the grouping of the activities for the departments and agencies for which a Minister is responsible, and the Crown corporations and other entities as described in Note 10. The five main ministries are reported separately and the others are regrouped with the provision for valuation and other items.

The presentation by segment is based on the same accounting policies as those described in the Summary of significant accounting policies in Note 1. The following tables present the Statement of Operations by Ministry and Crown corporation and other entity before the elimination of internal transactions for the year ended March 31:

(in millions of dollars)

| | 2008 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Canada Revenue Agency | Finance | Human Resources and Skills Development | National Defence | Public Safety and Emergency Preparedness | Other ministries | Crown corporations and other entities | Adjustments[1] | Total |
| ***REVENUES*** | | | | | | | | | |
| **TAX REVENUES —** | | | | | | | | | |
| Income tax revenues | 159,384 | | | | | | | | 159,384 |
| Other taxes and duties | 19,482 | | | | 24,725 | | | | 44,207 |
| **TOTAL TAX REVENUES** | **178,866** | | | | **24,725** | | | | **203,591** |
| ***EMPLOYMENT INSURANCE PREMIUMS*** | | | *16,877* | | | | | *-319* | *16,558* |
| **OTHER REVENUES —** | | | | | | | | | |
| Crown corporation revenues | | | | | | | 11,934 | -5,430 | 6,504 |
| Other program revenues | 4,515 | 829 | 4,373 | 501 | 1,628 | 9,040 | 311 | -7,302 | 13,895 |
| Foreign exchange net revenues | | 1,872 | | | | | | | 1,872 |
| *Total other revenues* | *4,515* | *2,701* | *4,373* | *501* | *1,628* | *9,040* | *12,245* | *-12,732* | *22,271* |
| ***TOTAL REVENUES*** | ***183,381*** | ***2,701*** | ***21,250*** | ***501*** | ***26,353*** | ***9,040*** | ***12,245*** | ***-13,051*** | ***242,420*** |
| ***EXPENSES*** | | | | | | | | | |
| **TRANSFER PAYMENTS —** | | | | | | | | | |
| Old age security benefits, guaranteed income supplement and spouse's allowance | | | 31,955 | | | | | | 31,955 |
| Other levels of government | | 45,341 | | | 3 | 808 | | | 46,152 |
| Employment insurance benefits | | | 14,298 | | | | | | 14,298 |
| Children's benefits | 9,420 | | 2,474 | | | | | | 11,894 |
| Other transfer payments | 607 | 286 | 2,130 | 176 | 137 | 23,048 | 765 | -117 | 27,032 |
| *Total transfer payments* | *10,027* | *45,627* | *50,857* | *176* | *140* | *23,856* | *765* | *-117* | *131,331* |
| **Other program expenses—** | | | | | | | | | |
| Crown corporation expenses | | | | | | | 7,574 | -234 | 7,340 |
| Other program expenses | 7,607 | 518 | 6,778 | 17,553 | 8,033 | 31,096 | | -10,758 | 60,827 |
| *Total other program expenses* | *7,607* | *518* | *6,778* | *17,553* | *8,033* | *31,096* | *7,574* | *-10,992* | *68,167* |
| *Total program expenses* | *17,634* | *46,145* | *57,635* | *17,729* | *8,173* | *54,952* | *8,339* | *-11,109* | *199,498* |
| ***Public debt charges*** | | ***35,062*** | | ***39*** | | ***166*** | | ***-1,942*** | ***33,325*** |
| ***TOTAL EXPENSES*** | ***17,634*** | ***81,207*** | ***57,635*** | ***17,768*** | ***8,173*** | ***55,118*** | ***8,339*** | ***-13,051*** | ***232,823*** |

Details (unaudited) providing total expenses by segment and type can be found in Section 3 of this volume.
(1) Represents consolidation adjustments to eliminate internal transactions.

(in millions of dollars)

| | 2007 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Canada Revenue Agency | Finance | Human Resources and Skills Development | National Defence | Public Safety and Emergency Preparedness | Other ministries | Crown corporations and other entities | Adjustments[1] | Total |
| ***REVENUES*** | | | | | | | | | |
| **TAX REVENUES** — | | | | | | | | | |
| Income tax revenues | 153,099 | | | | | | | | 153,099 |
| Other taxes and duties | 19,347 | | | | 25,970 | | | | 45,317 |
| **TOTAL TAX REVENUES** | **172,446** | | | | **25,970** | | | | **198,416** |
| ***EMPLOYMENT INSURANCE PREMIUMS*** | | | ***17,109*** | | | | | ***-320*** | ***16,789*** |
| **OTHER REVENUES** — | | | | | | | | | |
| Crown corporation revenues | | | | | | | 12,661 | -5,158 | 7,503 |
| Other program revenues | 3,850 | 960 | 4,226 | 445 | 1,548 | 7,030 | 199 | -6,714 | 11,544 |
| Foreign exchange net revenues | | 1,714 | | | | | | | 1,714 |
| *Total other revenues* | *3,850* | *2,674* | *4,226* | *445* | *1,548* | *7,030* | *12,860* | *-11,872* | *20,761* |
| ***TOTAL REVENUES*** | ***176,296*** | ***2,674*** | ***21,335*** | ***445*** | ***27,518*** | ***7,030*** | ***12,860*** | ***-12,192*** | ***235,966*** |
| ***EXPENSES*** | | | | | | | | | |
| **TRANSFER PAYMENTS** — | | | | | | | | | |
| Old age security benefits, guaranteed income supplement and spouse's allowance | | | 30,284 | | | | | | 30,284 |
| Other levels of government | | 41,241 | 650 | | 3 | 620 | | | 42,514 |
| Employment insurance benefits | | | 14,084 | | | | | | 14,084 |
| Children's benefits | 9,430 | | 1,784 | | | | | | 11,214 |
| Other transfer payments | 409 | 994 | 1,918 | 196 | 166 | 22,408 | 821 | -68 | 26,844 |
| *Total transfer payments* | *9,839* | *42,235* | *48,720* | *196* | *169* | *23,028* | *821* | *-68* | *124,940* |
| **Other program expenses**— | | | | | | | | | |
| Crown corporation expenses | | | | | | | 7,364 | -153 | 7,211 |
| Other program expenses | 6,908 | 449 | 6,711 | 15,982 | 7,543 | 28,568 | | -10,043 | 56,118 |
| *Total other program expenses* | *6,908* | *449* | *6,711* | *15,982* | *7,543* | *28,568* | *7,364* | *-10,196* | *63,329* |
| *Total program expenses* | *16,747* | *42,684* | *55,431* | *16,178* | *7,712* | *51,596* | *8,185* | *-10,264* | *188,269* |
| ***Public debt charges*** | | ***35,685*** | | ***46*** | | ***142*** | | ***-1,928*** | ***33,945*** |
| ***TOTAL EXPENSES*** | ***16,747*** | ***78,369*** | ***55,431*** | ***16,224*** | ***7,712*** | ***51,738*** | ***8,185*** | ***-12,192*** | ***222,214*** |

Details (unaudited) providing total expenses by segment and type can be found in Section 3 of this volume.
(1) Represents consolidation adjustments to eliminate internal transactions.

# SUPPLEMENTARY INFORMATION
# OBSERVATIONS OF THE AUDITOR GENERAL
# ON THE
# FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA
# FOR THE YEAR ENDED MARCH 31, 2008

For the tenth consecutive year, the government has received an unqualified audit opinion on the summary financial statements. I congratulate the government on this accomplishment especially because an unqualified audit opinion is achieved by few countries. Each year, this involves a great deal of work by public servants throughout government, both in individual departments and in central agencies. The purpose of these Observations is to comment on matters that will require continuing attention in future years.

## MANAGEMENT ESTIMATES—CANADA REVENUE AGENCY

### Allowance for doubtful accounts

The allowance for doubtful tax receivables is a significant management estimate that must be assessed each year in my audit of the financial statements of the government. For 2008, the amount of tax receivables is $74.6 billion, and the associated allowance or amount determined to be uncollectible is $8.7 billion.

A project to develop a new methodology for the government's allowance for doubtful tax receivables began in Fall 2006 with involvement of a joint working group of the Department of Finance, the Office of the Comptroller General and Canada Revenue Agency. In the Spring 2007, I encouraged the government to proceed with the project and to discuss the proposed methodology with us as soon as possible to ensure that it would meet each of our needs.

This project was an important initiative by the government to improve the quality of this complex management estimate. The government used its new estimation model, which now considers historical loss experience and the aging of tax receivables, for determining this year's allowance estimate.

Throughout this project data integrity problems, concerns with management assumptions and mathematical errors were noted, which contributed to ongoing refinements of the methodology. As a result, delays were encountered in finalizing this year's estimate. We are of the view that the Office of the Comptroller General and the Department of Finance should have more actively monitored progress to ensure timely completion of this important project, including ensuring the data integrity issues were resolved on a timely basis.

For 2008, I have concluded the government's estimate relating to the allowance for doubtful tax receivables is presented fairly in the government's financial statements. However, in my view, improvements are still required before the government can expect to have a reliable and timely methodology for estimating its allowance for doubtful tax receivables in future years.

I expect to receive a detailed plan from the government, with firm commitments, for improving the current estimation model and addressing the data integrity concerns.

### Tax revenue estimates

Accrual accounting for tax revenues is intended to ensure that the government recognizes tax revenues in the period when the taxable activity occurs, rather than when the government receives the cash. Tax revenues are the largest and most significant of the management estimates in the government's financial statements. It is important that the government regularly monitor the reliability of its estimation processes and modify them, where necessary, to improve the accuracy of its reported tax revenues. Since the introduction of accrual accounting in 2003, my Office has regularly expressed to the government the need for constant monitoring and improvement of the process by which it produces the year-end tax revenue estimates.

Last year, I reported that the government continually understates its tax revenues earned but not yet assessed at year-end, particularly in the area of corporate tax revenues. These amounts are included in the following year's revenues reported in the Public Accounts and have been consistent from year to year. As a result, the understatement is not significant enough for us to conclude that the financial statements do not fairly present the government's financial position and results of operations. An extra year of comparative data now confirms that this pattern is continuing.

In March 2008, the Standing Committee on Public Accounts asked for modifications to the tax revenue estimation methodology. In response, three changes were made to the methodology and in the March 31, 2008 tax revenue estimates. These changes are designed to address some of the recurring variances between actual and estimated individual and corporate taxes. The impact of these changes on the overall accuracy of the government's reported tax revenues will only be known in the future when tax assessments are completed.

While I recognize the complexity of the process and the time it continues to demand, identifying and implementing improvements to this management estimate on an ongoing basis needs to continue to be a priority.

## DEPARTMENTAL FINANCIAL STATEMENTS

Last year I discussed an initiative of the government to transform and strengthen public sector financial management, which included a plan to have the annual financial statements of 22 large departments audited. I reviewed the progress of these departments toward meeting this objective and identified key areas of work that needed to be done. This year, my Office has continued to follow the progress made on this important initiative.

*Readiness assessments and action plans*

In my 2007 Observations, I reported there were still departments that needed to undergo an audit readiness assessment. I am pleased to report that all of the 22 large departments have now completed an assessment of audit readiness. Common observations resulting from these reviews continue to be related to a lack of documentation to support balances and challenges with departmental information technology, such as manual adjustments required in many of the legacy systems.

The government has required that all departments implement a strategy to address the identified key areas for improvement. As with any significant undertaking, once these key areas have been identified, an action plan is needed to address specific deficiencies and related actions, establish time frames for resolving these issues, and assign responsibilities.

This year I observed that departments vary considerably in the quality and progress of their delivery on their action plans.

- Eleven departments have prepared detailed action plans addressing specific deficiencies and stipulating deadlines for resolution and assignment of responsibility. In these departments, senior managers or delegated individuals have been monitoring progress.
- The remaining departments have summary level action plans or are in the process of preparing and finalizing the specific details of their action plan.

There is also considerable variation in the projected time frames within which departments expect to address deficiencies and be prepared for an external audit. One department has indicated that it is ready now. Two departments anticipate being ready during the 2008–09 fiscal year. Three departments expect to be ready by 2009–10. The remaining sixteen departments have indicated that they will be ready only after 2011.

*First time review of departments' readiness*

During the fall of 2008, my Office will undertake a review of the readiness of the Department of Justice to prepare departmental financial statements that are auditable using reliance upon controls as the primary source of audit assurance. Department of Justice management and the Office of the Comptroller General have determined that the Department is ready for this evaluation.

*Government Level—Status*

Over the past year, the Office of the Comptroller General has taken several steps to strengthen its role and the support it provides to the departments toward advancement of this initiative. These steps include

- coordinating monthly meetings with the departments to share best practices and provide necessary guidance,
- reviewing all completed audit readiness assessment documents,
- reviewing unaudited financial statements, and
- developing and discussing with departments a draft policy on financial information and reporting related to the production of audited financial statements.

In discussions my Office had with the departments, many indicated that they are benefiting from the monthly meetings and that some guidance is being provided. It is important for the Office of the Comptroller General to continue providing this support and to work with the departments to identify their specific needs.

As part of the Management Accountability Framework, the Treasury Board of Canada Secretariat continues to assess the progress each department is making in its preparation for audited departmental financial statements, including the actions each department has taken to resolve internal control weaknesses previously reported by my Office.

*Continuing challenges*

It has now been two years since the Office of the Comptroller General committed to resolving some key accounting and reporting issues. Although the Office of the Comptroller General has conducted discussions with my Office and external consultants, final resolution of these issues has yet to be achieved. The most significant of these outstanding issues relate to

- recognition of an asset or liability for an amount due to or from the Consolidated Revenue Fund,
- recognition of appropriations on the statement of operations,
- recognition and expanded guidance relating to services provided without charge, and
- recognition of liabilities that are currently only recorded centrally and not on the departments' financial statements.

*Summary*

I reiterate one of my comments from last year, that when departments are ready for an audit, my Office will gladly play its part in the process. This initiative needs to continue to focus on the objective of improving internal controls and providing better financial information.

Based on the information provided to us, and based on our discussions with the departments and the Office of the Comptroller General, I am pleased that progress has been made on this initiative. However, it is still my view that most departments have much work to do to achieve the goal of readiness for an efficient audit of their financial statements, and that the Office of the Comptroller General must continue to provide leadership on this project.

## ACCRUAL-BASED BUDGETING AND APPROPRIATIONS BY DEPARTMENTS AND AGENCIES

I reported last year that the government was making some progress on the issue of accrual budgeting and appropriations for departments and agencies. This year, the government has continued its effort with a focus on the departments' implementation of accrual-based budgeting, but not accrual appropriations.

Departments are not yet presenting their budgets and appropriations on a full-accrual basis. Having accrual-based budgeting results in improved financial oversight as the plans and related results are on the same basis of accounting and therefore result in better transparency and accountability. Appropriations prepared on an accrual basis would provide Parliament with information for control and approval of spending that is on the same basis as the overall government plan and the summary financial statements.

The government presented to Parliament models and implementation requirements for extending accrual accounting to budgeting and appropriations. A parliamentary *ad hoc* working group was created to review and provide advice on the accrual-based budgeting and appropriations models presented by the Treasury Board of Canada Secretariat. This group recommended a model it felt would best meet the needs of the government, although some deficiencies were noted in the recommended model.

I provided my comments on this model, including my concern that several significant issues raised in the report of the Standing Committee of Government Operations and Estimates were not addressed. In particular, the proposed model does not explain how budgeting for long-term assets and liabilities would be considered.

The government has outlined a plan to implement accrual-based budgeting on a phased basis. The implementation plan will start with a two-year pilot project involving ten departments. Starting in the 2009–10 fiscal year, this pilot group of departments will be expected to present a future-oriented statement of operations, which will include actual results to date and forecasted numbers for the remainder of the year, in their Report on Plan and Priorities, followed by a full set of future-oriented financial statements in the following year. All other departments will start in 2011–12, using the same approach as the pilot group.

I noted that the government's plan does not include a specific target date when it will put into practice accrual appropriations. The plan indicates that the government will evaluate the results and identify any issues or requirements to be addressed, such as changes to legislation, before introducing accrual appropriations. Based on the current approach, the government plans to conduct an evaluation of the costs and benefits of accrual appropriations in 2012–13, after the implementation of accrual-based budgeting.

I am disappointed that after many years of studying this issue, the models proposed by government all had an annual focus that does not include long-term budgeting for assets and liabilities and that the government has yet to make a commitment on an implementation date for accrual appropriations.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

*Background*

In 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) will replace Canada's current generally accepted accounting principles. This change affects publicly accountable enterprises in Canada, including the government's Crown corporations. The official changeover date is for fiscal years beginning on or after January 1, 2011. At this time, there are no plans to replace the Canadian public sector generally accepted accounting principles – the basis of accounting for the government's financial statements.

The conversion to IFRS will have a significant impact on the underlying accounting policies for entities subject to these requirements. Below I outline the significant transition issues for both the affected entities and the government.

*Impact on federal Crown corporations*

In order to comply with the changeover to international standards, Crown corporations will have to undertake a rigorous conversion process. They will need to make a significant investment in human and financial resources in order to meet the deadline. It is imperative for Crown corporations to begin an analysis of these new standards that would identify differences between their current accounting policies and IFRS, and any required changes to underlying processes and information systems. It is also imperative that Crown corporations prepare action plans that address all significant aspects of the conversion to international financial reporting standards. To date, 20 of the 50 federal Crown corporations have completed or are in the process of making these necessary impact assessments.

During the year, the Treasury Board of Canada Secretariat initiated a Crown corporation discussion group to encourage information sharing within the Crown corporation community, and to discuss topics pertinent to IFRS. A significant number of Crown corporations have been attending the information sessions, showing that this type of venue can provide valuable assistance to Crown corporations dealing with strategies and challenges regarding the implementation of IFRS. I support this initiative and encourage continued sharing of best practices.

*Impact on the government*

Currently there are no plans to replace public sector accounting standards with IFRS. However, the requirement for Crown corporations to adopt IFRS will affect the government's preparation of its summary financial statements. Under the current framework, the accounting policies of certain Crown corporations must be harmonized with the government's accounting policies before the financial results of the Crown corporations can be consolidated and reported in the government's financial statements. The move to IFRS will thus require the government to identify the differences between the old and new accounting policies to ensure that it has all the information necessary for the adjustments required for the preparation of the summary financial statements. The government will also need to ensure it has provided proper guidance to Crown corporations for reporting the required adjustments.

The move to international financial reporting standards will impact more than the year-end reporting process. The government will need to consider the impact of these new standards on its business decisions, such as the preparation of budgets and the estimation of cash requirements.

*Conclusion*

The move to IFRS is the most significant change to Canadian financial reporting in decades. It is important that the government and its Crown corporations carefully plan for the change to international standards, to ensure that the transition is both smooth and cost-effective.

## STATUS OF ITEMS REPORTED IN PREVIOUS YEARS

| Observation | Current status |
|---|---|
| **Year-end transactions** | According to public sector accounting standards, government transfers are to be recognized in a government's financial statements as an expense during the period in which the events giving rise to the transfer occur, as long as<br>• the transfer is authorized;<br>• eligibility criteria, if any, have been met by the recipient; and<br>• a reasonable estimate of the amount can be made.<br>In Budget 2008, the government announced various one-time transfers to support a number of initiatives. When I assessed the accounting for the year-end transactions of the government, I concluded that the government's accounting treatment was appropriate. |
| **Canada Border Services Agency—Tax revenue system deficiencies** | In the past, I have stated my view that improvements are needed in the Canada Border Services Agency's tax revenue accounting systems and practices. The accrual of tax revenues is assessment-based and gathers data primarily from the various tax program systems. These were not designed to function as accounting systems. Significant adjustments to accounting data are necessary to report revenues and receivables on an accrual basis. This manipulation of data involves complex and cumbersome manual processing and reconciliation. These nonetheless fail to explain differences between the amounts receivable in the general ledger and the various reports taken from the tax program systems in support of the reported amounts.<br>Management of Canada Border Services Agency has identified underlying causes of some of their unreconciled differences. However, unexplained differences remain at year-end. |
| **National Defence inventory, repairable spare parts and realty asset records** | I acknowledge the progress National Defence has made in past years in the recording of quantities and value, and the importance the Department has placed on continued improvements in the accounting systems and practices related to its inventory. However many issues still remain such as obsolescence, pricing, policy development and the application of prescribed practices. Continued action by National Defence is recommended to ensure that the value of inventory and repairable spare parts is properly reflected in the summary financial statements.<br>National Defence has also been challenged in the proper recording and amortizing of the costs of capital assets of the Department. In particular, the subledger system used to capture the data for land, buildings and works has not been reconciled to the general ledger in a timely and accurate manner. The Department made progress in this area during the year as it identified this as a priority area and has strengthened business practices and system controls. It is important that the Department continues its work in this area to ensure that the information recorded in the general ledger is accurate, complete and timely. |

| Observation | Current status |
|---|---|
| **Payables at year-end policy** | In previous years, it became apparent during discussions that my Office and the Treasury Board Secretariat held different interpretations of section 37.1 of the *Financial Administration Act* and of the government's policy on payables at year-end. The difference involves whether debts per Section 37.1 of the *Financial Administration Act* include all items that would be recognized as liabilities. This difference results in a lack of clarity as to the nature of items to be appropriately charged to an appropriation.<br><br>The Treasury Board Secretariat is currently revisiting many of its policies, in its policy suite renewal project. We indicated to the Office of the Comptroller General that, in our view, there needs to be greater clarity regarding charges to appropriations. We are concerned that it remains quite possible that because they do not meet this legally binding definition, the departments will neither charge amounts against their appropriation nor record a liability, despite the fact that these are in substance liabilities. I continue to encourage the government to clarify its position with respect to the substance of these transactions. The government needs to ensure that expenditures are properly and consistently charged to appropriations, and that they are recognized as liabilities at year-end.<br><br>Given the importance of ensuring that expenditures are properly and consistently charged to appropriations, it is important that the Office of the Comptroller General resolve this matter. |
| **Audit opinion in accordance with Canadian generally accepted accounting principles** | Under auditing standards of the Canadian Institute of Chartered Accountants, we are required to report on fair presentation in accordance with Canadian generally accepted accounting principles for the public sector. However, recognizing the importance of following our legislative mandate, which requires me to opine as to whether the government's financial statements "…present fairly information in accordance with stated accounting policies of the federal government…," my opinion refers to both bases.<br><br>The government's accounting policy indicates that its stated accounting policies are based on Canadian generally accepted accounting principles for the public sector, and that the presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles. I would prefer that the government indicate its commitment to conforming to Canadian generally accepted accounting principles. |
| **Timely reporting** | I have noted in the past that the usefulness of the government's summary financial statements is diminished when they cannot be made public until six months after year-end. I also have noted that, in the present environment, there are significant challenges to the more timely preparation of the Government's summary financial statements.<br><br>I understand that the Government continues to look for ways to expedite the preparation of its summary financial statements. It is important, however, that appropriate internal controls and the fairness of estimates be maintained. |

| Observation | Current status |
|---|---|
| **Clarity** | The government continues to call its accumulated deficit "federal debt" in some of its publications. I understand that the government uses this wording to eliminate confusion about its annual surplus position. However, I remain concerned that Canadians could misinterpret this expression, which may leave an incorrect impression about how the annual surplus is actually used.<br><br>I am particularly concerned that the use of this term could mislead Canadians into believing that the annual surplus is being used to reduce the government's debt. Although the accumulated deficit is automatically adjusted by the amount of the annual surplus and by the change in other comprehensive income, government debt is not. The annual surplus is simply the figure that indicates the difference between the government's revenues and its expenses at the end of the fiscal year - not an amount of cash that is free for the government to use in any other way, including paying some of the debt it has incurred. The government may not, in other words, use the annual surplus to pay off a portion of the debt that it has incurred.<br><br>I note that the government does take care to accurately reflect this in the *Annual Financial Report*. However, in my view, the government could explain these financial results more clearly to Canadians by consistently using correct terms in all its public statements and publications. |

## EXPLANATION OF MY AUDIT REPORT

For readers who would like a more in-depth explanation of my audit report, I have provided that information on my website, together with my Observations (www.oag-bvg.gc.ca).

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# SECTION 3

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

# Revenues, Expenses and Accumulated Deficit

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# REVENUES, EXPENSES AND ACCUMULATED DEFICIT

This section provides information on the revenues, expenses and accumulated deficit of the Government as summarized in Table 3.1.

A narrative description is provided for certain accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 3.1**
REVENUES, EXPENSES AND ACCUMULATED DEFICIT

(in millions of dollars)

| | 2007-2008 | 2006-2007 |
|---|---|---|
| **Revenues—** | | |
| Tax revenues, Table 3.2 | 203,591 | 198,416 |
| Employment insurance premiums | 16,558 | 16,789 |
| Other revenues, Table 3.4 | 22,271 | 20,761 |
| **Total revenues** | **242,420** | **235,966** |
| **Expenses—** | | |
| Transfer payments | 131,331 | 124,940 |
| Other program expenses | 68,167 | 63,329 |
| ***Total program expenses*** | ***199,498*** | ***188,269*** |
| Public debt charges | 33,325 | 33,945 |
| **Total expenses, Table 3.6** | **232,823** | **222,214** |
| **Annual surplus** | **9,597** | **13,752** |
| **Accumulated deficit at beginning of year** | **467,268** | **481,499** |
| **Other comprehensive income** | **34** | **479** |
| **Accumulated deficit at end of year** | **457,637** | **467,268** |

## REVENUES

Revenues consist of all tax and other amounts which enter into the calculation of the annual surplus or deficit of the Government.

### Accounting for Revenues

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. Tax revenues are recognized in the period in which the event that generates the revenue occurs. Taxes are collected pursuant to their respective legislation which may be amended from time to time.

For income taxes, revenue is recognized when the taxpayer has earned the income producing the tax. Revenue is determined net of tax deductions and credits allowed under the *Income Tax Act*.

Revenues for the fiscal year ended March 31 are based on amounts assessed/reassessed at the time of preparation of the financial statements and estimates of income tax earned in the fiscal period but not yet assessed/reassessed. These estimates are based on amounts received at the time of preparation of the financial statements that relate to the fiscal year ended March 31 that have not been assessed or that are awaiting reassessment. Actual results may differ significantly from these estimates. Differences between estimates and actuals are recorded in the fiscal year in which the actual assessment/reassessment is completed. Revenues do not include estimates for amounts of unreported taxes.

Goods and services tax, and excise and customs revenues are recorded based on the tax and duties assessed and estimated at the time of preparation of the financial statements that relate to the fiscal year ended March 31. For domestic goods and services tax, revenue is recognized at the time of the sale of goods or the provision of services. For excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. For excise taxes, revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. For customs duties and goods and services tax on imports, revenue is recognized when goods are authorized by the Canada Border Services Agency to enter Canada.

Employment insurance premiums are recognized in revenue in the same period as the insurable earnings are earned. Other revenues are recognized in the period to which they relate.

## Tax Revenues

Tax revenues include personal and corporate income taxes, other income tax revenues, and other taxes and duties as summarized in Table 3.2.

**TABLE 3.2**
TAX REVENUES

(in millions of dollars)

| | 2007-2008 | 2006-2007 |
|---|---|---|
| **Tax revenues—** | | |
| Income tax revenues— | | |
| Personal | 113,063 | 110,477 |
| Corporate | 40,628 | 37,745 |
| Other income tax revenues | 5,693 | 4,877 |
| | ***159,384*** | ***153,099*** |
| Other taxes and duties— | | |
| Goods and services tax, Table 3.3 | 29,930 | 31,296 |
| Energy taxes— | | |
| Excise tax—Gasoline | 4,015 | 4,003 |
| Excise tax—Aviation gasoline and diesel fuel | 1,124 | 1,125 |
| | *5,139* | *5,128* |
| Customs import duties | 3,903 | 3,704 |
| Other excise taxes and duties— | | |
| Excise duties | 4,185 | 3,916 |
| Air travellers security charge | 386 | 357 |
| Softwood lumber products export charge | 422 | 229 |
| Charge on refunds of softwood lumber duty deposits | | 494 |
| Other miscellaneous excise taxes and duties | 252 | 193 |
| | *5,245* | *5,189* |
| | ***44,207*** | ***45,317*** |
| Total tax revenues [1] | 203,591 | 198,416 |

[1] Additional details are provided in Table 3a in Section 1 of Volume II of the *Public Accounts of Canada*.

### Personal income tax

Personal income tax is levied on personal income under the provisions of the *Income Tax Act*.

### Corporate income tax

Corporate income tax is levied on corporate income under the provisions of the *Income Tax Act*.

### Other income tax revenues

Other income tax revenues include the non-resident income tax and other tax revenues.

Non-resident income tax is levied on income earned in Canada by non-residents under the provisions of the *Income Tax Act*. This tax is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts paid to non-residents.

Other tax revenues are comprised primarily of withholding taxes on income earned in Canada by non-resident life insurance companies and income from trusts.

### Other taxes and duties

Other taxes and duties are collected under the *Excise Tax Act*, *Customs Tariff* (Act) and other acts and include the goods and services tax, energy taxes, customs import duties, and other excise taxes and duties.

*Goods and services tax*

The goods and services tax (GST) became effective January 1, 1991. The GST is applied at a rate of 5 percent on most goods and services consumed in Canada, with only a limited set of exclusions that include certain medical devices, prescription drugs, basic groceries, residential rents and most health and dental care services. A reduction in the GST rate from 6 percent to 5 percent was approved through the *Budget and Economic Statement Implementation Act, 2007* and became effective on January 1, 2008. A comparative analysis of the GST is presented in Table 3.3.

**TABLE 3.3**
GOODS AND SERVICES TAX (GST) [1]

(in millions of dollars)

| | 2007-2008 | 2006-2007 |
|---|---|---|
| GST | 34,559 | 33,897 |
| Less: remission order for the GST paid and accrued by ministries on or for goods and services purchased from outside parties | 1,129 | 1,137 |
| Gross GST from outside parties | 33,430 | 32,760 |
| Less: quarterly tax credits | 3,510 | 3,464 |
| Net GST from outside parties | 29,920 | 29,296 |

[1] Reported in the Statement of Operations and Accumulated Deficit (Section 2 of this volume).

*Energy taxes*

Energy taxes primarily include the excise tax on gasoline, and on aviation gas and diesel fuel.

*Customs import duties*

Revenues from customs import duties consist mainly of ad valorem taxes on the importation of goods levied under the *Customs Tariff* (Act).

*Other excise taxes and duties*

Excise taxes and duties are levied on alcoholic beverages and tobacco products. In addition, excise taxes are imposed on other items such as passenger vehicle air conditioners. The air travelers security charges are collected by air carriers at the time of payment for the air travel by the purchaser of an air transportation service.

The Softwood Lumber Products export charge is assessed on exports of softwood lumber products to the United States after September 30, 2006. The charge on refunds of softwood lumber duty deposits is assessed on amounts refunded to Canadian companies on amounts related to a United States duty order related to the importation of softwood lumber products into the United States between May 22, 2002 and September 30, 2006.

## Employment insurance premiums

Premiums from employees and employers are levied under the provisions of the *Employment Insurance Act* and are classified as part of revenues. Additional details on employment insurance premiums are provided in Section 4 of this volume.

## Other Revenues

Other revenues include Crown corporations, other program and foreign exchange revenues.

**TABLE 3.4**
OTHER REVENUES

(in millions of dollars)

| | 2007–2008 | 2006–2007 |
|---|---|---|
| **Other revenues—** | | |
| Crown corporation revenues | | |
| Consolidated Crown corporations and other entities | 1,760 | 1,735 |
| Enterprise Crown corporations and other government business enterprises | | |
| Share of annual profit | 4,756 | 5,335 |
| Interest and other | 488 | 433 |
| | *6,304* | *7,503* |
| Other program revenues | | |
| Return on investments, Table 3.5 | 695 | 1,160 |
| Sales of goods and services | | |
| Rights and privileges | 1,153 | 1,500 |
| Lease and use of public property | 585 | 536 |
| Services of a regulatory nature | 1,075 | 954 |
| Services of a non-regulatory nature | 2,358 | 2,517 |
| Sales of goods and information products | 598 | 564 |
| Other fees and charges | 139 | 126 |
| | *7,678* | *8,173* |
| Miscellaneous revenues | | |
| Interest and penalties | 4,064 | 3,463 |
| Other | 1,810 | 796 |
| | *13,895* | *12,544* |
| Foreign exchange net revenues | | |
| Exchange Fund Account | 1,865 | 1,728 |
| International Monetary Fund | 10 | 29 |
| Other | | (43) |
| | *1,875* | *1,714* |
| Total other revenues [1] | 55,571 | 50,761 |

[1] Additional details are provided in Table 4a in Section 1 of Volume II of the *Public Accounts of Canada*.

### Crown corporation revenues

Crown corporation revenues include revenues earned from third parties by Consolidated Crown corporations, interest earned on loans to enterprise Crown corporations and other government business enterprises, and the government's share of the accumulated profits or losses of enterprise Crown corporations and other government business enterprises.

### Other program revenues

Other program revenues include sales of goods and services, return on investments, and miscellaneous revenues. Details are reported by individual ministry in Volume II of the *Public Accounts of Canada*.

### Foreign exchange net revenues

Foreign exchange net revenues include the revenues from investments held in the Exchange Fund Account and the International Monetary Fund, as well as the net gains or losses resulting from the translation of these investments to Canadian dollars at March 31. Foreign exchange net revenues also include the net gains or losses resulting from foreign debt and currency swap revaluations.

### Return on investments

Return on investments consists mainly of interest from loans and advances, dividends from investments, and transfer of profits and surpluses for loans, investments and advances other than those in enterprises Crown corporations and government business enterprises. A comparative analysis of return on investments is presented in Table 3.5.

**TABLE 3.5**
**RETURN ON INVESTMENTS** [1]

(in millions of dollars)

| | 2007-2008 | 2006-2007 |
|---|---|---|
| Consolidated accounts | | |
| Atomic Energy of Canada Limited | [2] | [2] |
| Cash and accounts receivable | | |
| Interest on bank deposits | 361 | 351 |
| Loans, investments and advances | | |
| Portfolio investments | [2] | [2] |
| National governments including developing countries | 2 | 8 |
| International organizations | 14 | 14 |
| Provincial and territorial governments | [2] | [2] |
| Other loans, investments and advances | 665 | 589 |
| | 681 | 611 |
| Other accounts | | |
| Esso Ltd. - Norman Wells Project profits | 116 | 123 |
| Other | 5 | 10 |
| | 121 | 133 |
| Total statutorial return on investments | 1,163 | 1,095 |
| Net gain (loss) on exchange | (445) | 73 |
| Accrual of other revenues | 32 | 38 |
| Total return on investments | 750 | 1,206 |
| Elimination of return on investments internal to the Government | (58) | (46) |
| Total external return on investments | 692 | 1,160 |

[1] Additional details are provided in Table 3.6 in Section 1 of Volume II, and in Section 10 of Volume III of the *Public Accounts of Canada*.
[2] Less than $500,000.

# EXPENSES

Expenses consist of all charges which enter into the calculation of the annual deficit or surplus of the Government.

## Accounting for Expenses

Expenses for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.

Expenses include provisions to reflect changes in the economic value of assets or liabilities, including provisions for bad debts, provisions for valuation of loans, investments and advances, and inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

On a day-to-day basis, organizations within the Government entity transact with each other and thus contribute to the amounts of revenues and expenses recorded in the accounts. In preparing the financial statements, these "internal transactions" are eliminated so as to report on the basis of transactions with outside parties only.

Table 3.6 presents external expenses by segment and by type.

**TABLE 3.6**
EXTERNAL EXPENSES BY SEGMENT AND BY TYPE

(in millions of dollars)

| | Major transfer payments[1] | | Other transfer payments | |
|---|---|---|---|---|
| | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 |
| Ministry | | | | |
| Agriculture and Agri-Food | | | 2,237 | 3,122 |
| Atlantic Canada Opportunities Agency | | | 235 | 252 |
| Canada Revenue Agency | 9,420 | 9,430 | 607 | 409 |
| Canadian Heritage | | | 1,128 | 1,158 |
| Citizenship and Immigration | | | 616 | 520 |
| Economic Development of Canada for the Regions of Québec | | | 238 | 259 |
| Environment | | | 122 | 285 |
| Finance | 45,341 | 41,241 | 286 | 1,133 |
| Fisheries and Oceans | | | 73 | 141 |
| Foreign Affairs and International Trade | | | 3,045 | 4,522 |
| Governor General | | | | |
| Health | 30 | 30 | 2,445 | 2,514 |
| Human Resources and Skills Development | 48,727 | 46,802 | 2,130 | 1,918 |
| Indian Affairs and Northern Development | | | 5,309 | 4,912 |
| Industry | | | 2,430 | 2,388 |
| Justice | | | 359 | 352 |
| National Defence | | | 176 | 196 |
| Natural Resources | | | 2,733 | 977 |
| Parliament | | | 1 | 1 |
| Privy Council | | | 30 | 27 |
| Public Safety and Emergency Preparedness | 3 | 3 | 137 | 166 |
| Public Works and Government Services | | | | 45 |
| Transport | 778 | 590 | 1,439 | 1,068 |
| Treasury Board | | | 1 | 35 |
| Veterans Affairs | | | 386 | 50 |
| Western Economic Diversification | | | 194 | 293 |
| Provision for valuation and other items | | | 27 | (652) |
| Total ministries | 104,299 | 98,096 | 26,384 | 26,091 |
| Crown corporations and other entities | | | 648 | 753 |
| Total expenses[2][3][4] | 104,299 | 98,096 | 27,032 | 26,844 |

(1) Includes transfer payments for the Old age security benefits, guaranteed income supplement and spouse's allowance of $31,955 million ($30,284 million in 2007), to the other levels of government of $46,152 million ($42,514 million in 2007), for the Employment insurance benefits of $14,298 million ($14,084 million in 2007) and for the Children's benefits of $11,894 million ($11,214 million in 2007). Additional information is provided in Table 3.7 of this Section.
(2) Additional information is provided in Table 3.8 of this volume.
(3) Certain comparative figures have been reclassified to conform to the current year's presentation.
(4) Additional information is provided in Table 2a in Section 1 of Volume II of the *Public Accounts of Canada*.

| Total transfer payments | | Other program expenses | | Public debt charges[17] | | Total expenses | |
|---|---|---|---|---|---|---|---|
| 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 |
| 2,237 | 3,122 | 1,636 | 1,619 | | | 3,873 | 4,741 |
| 235 | 252 | 105 | 103 | | | 340 | 355 |
| 10,027 | 9,839 | 7,437 | 6,769 | | | 17,464 | 16,608 |
| 1,128 | 1,158 | 683 | 594 | | 1 | 1,811 | 1,753 |
| 616 | 520 | 562 | 553 | | | 1,178 | 1,073 |
| 238 | 259 | 68 | 67 | | | 306 | 326 |
| 122 | 285 | 1,456 | 1,440 | 1 | | 1,579 | 1,725 |
| 45,627 | 42,374 | 510 | 442 | 33,121 | 33,758 | 79,258 | 76,574 |
| 73 | 141 | 1,649 | 1,560 | | | 1,722 | 1,701 |
| 3,045 | 4,522 | 1,892 | 1,959 | | | 4,937 | 6,481 |
| | | 20 | 19 | | | 20 | 19 |
| 2,475 | 2,544 | 2,454 | 3,312 | | | 4,929 | 5,856 |
| 50,857 | 48,720 | 3,080 | 3,156 | | | 53,937 | 51,876 |
| 5,309 | 4,912 | 1,305 | 1,171 | | | 6,614 | 6,083 |
| 2,430 | 2,388 | 2,111 | 2,259 | | | 4,541 | 4,647 |
| 359 | 352 | 977 | 1,148 | | | 1,336 | 1,500 |
| 176 | 196 | 17,331 | 15,732 | 39 | 46 | 17,546 | 15,974 |
| 2,733 | 977 | 900 | 1,043 | | | 3,633 | 2,020 |
| 1 | 1 | 526 | 510 | | | 527 | 511 |
| 30 | 27 | 279 | 274 | | | 309 | 301 |
| 140 | 169 | 7,885 | 7,367 | | | 8,025 | 7,536 |
| | 45 | 2,192 | 2,724 | 125 | 100 | 2,317 | 2,869 |
| 2,217 | 1,658 | 867 | 950 | 39 | 40 | 3,123 | 2,648 |
| 1 | 35 | 2,067 | 1,911 | | | 2,068 | 1,946 |
| 186 | 50 | 917 | 878 | | | 1,303 | 928 |
| 194 | 293 | 57 | 46 | | | 251 | 339 |
| 27 | (652) | 1,861 | (1,488) | | | 1,888 | (2,140) |
| 130,683 | 124,187 | 60,827 | 56,118 | 33,325 | 33,945 | 224,835 | 214,250 |
| 648 | 753 | 7,340 | 7,211 | | | 7,988 | 7,964 |
| 131,331 | 124,940 | 68,167 | 63,329 | 33,325 | 33,945 | 232,823 | 222,214 |

## Expenses by Segment

The presentation by segment is based on the ministry structure of the 2007-2008 Estimates, which represents the grouping of the activities for the departments and agencies for which a Minister is responsible, and the Crown corporations and other entities as described in Note 10 to the financial statements in Section 2 of this volume.

## Government's cost of operations

Government's cost of operations consists of three major types: transfer payments, other program expenses and public debt charges.

### Transfer payments

The major transfer payments include payments to persons and payments to provinces and territories.

Payments to persons include payments for income support or income supplement. Assistance is based on age, family status, income, and employment criteria.

Payments to provinces and territories are made under two main programs:

- the fiscal arrangements are unconditional fiscal transfer payments to lower income provinces including subsidies under the Constitution Acts; and,
- Canada Health and Social Transfers is the major means for providing the federal share of social programs administered by the provinces.

The other transfer payments include various subsidies paid through federal programs to stabilize market prices for commodities, for the development of new technologies, for the conduct of research, for the establishment of new jobs through support for training, for the promotion of educational and cultural activities, expenses of other consolidated entities, and other miscellaneous payments.

### Other program expenses

This category covers the costs associated with programs directly delivered by the federal Government such as national defence, food inspection, the Coast Guard, the federal court system, the operation of health facilities for natives and veterans, and the national parks system. It also includes the expenses of Consolidated Crown corporations and other entities incurred with third parties.

Table 3.7 presents a comparative analysis by province of certain transfer payments.

**TABLE 3.7**
MAJOR TRANSFER PAYMENTS BY PROVINCE

(in millions of dollars)

| | Old age security benefits [1] | Employment insurance benefits | Fiscal arrangements | Alternative payments for standing programs | Canada health and social transfer | Other major transfers [2] | Children's benefits | Total |
|---|---|---|---|---|---|---|---|---|
| Newfoundland and Labrador | 647 | 927 | 479 | | 505 | 82 | | 2,640 |
| | *619* | *914* | *688* | | *479* | *30* | | *2,730* |
| Prince Edward Island | 161 | 220 | 295 | | 137 | 50 | | 863 |
| | *155* | *215* | *291* | | *131* | *5* | | *797* |
| Nova Scotia | 1,079 | 716 | 1,467 | | 928 | 133 | | 4,323 |
| | *1,032* | *706* | *1,388* | | *881* | *36* | | *4,043* |
| New Brunswick | 898 | 773 | 1,479 | | 743 | 99 | | 3,992 |
| | *858* | *774* | *1,453* | | *707* | *22* | | *3,814* |
| Quebec | 8,835 | 3,682 | 6,558 | (2,720) | 7,618 | 948 | | 24,921 |
| | *8,579* | *3,765* | *4,838* | *(3,177)* | *7,216* | *291* | | *21,312* |
| Ontario | 11,813 | 4,601 | 8 | | 12,119 | 2,140 | | 30,681 |
| | *11,258* | *4,426* | *8* | | *10,881* | *476* | | *27,049* |
| Manitoba | 1,211 | 402 | 1,828 | | 1,173 | 183 | | 4,797 |
| | *1,173* | *400* | *1,712* | | *1,108* | *44* | | *4,437* |
| Saskatchewan | 1,130 | 333 | 228 | | 1,071 | 156 | | 2,918 |
| | *1,105* | *328* | *15* | | *1,042* | *38* | | *2,526* |
| Alberta | 2,616 | 990 | 4 | | 2,398 | 430 | | 6,438 |
| | *2,492* | *930* | *4* | | *2,052* | *123* | | *5,601* |
| British Columbia | 4,288 | 1,587 | 3 | | 4,515 | 546 | | 10,939 |
| | *4,072* | *1,528* | *463* | | *4,067* | *162* | | *10,292* |
| Total provinces | 32,678 | 14,231 | 12,349 | (2,720) | 31,207 | 4,767 | | 92,512 |
| | *31,141* | *13,986* | *10,860* | *(3,177)* | *28,564* | *1,227* | | *82,601* |
| Northwest Territories | 8 | 17 | 792 | | 40 | 19 | | 876 |
| | *17* | *39* | *757* | | *13* | *8* | | *879* |
| Nunavut | 18 | 9 | 947 | | 35 | 20 | | 1,029 |
| | *8* | *25* | *844* | | *33* | *5* | | *913* |
| Yukon Territory | 18 | 26 | 540 | | 32 | 17 | | 633 |
| | *17* | *25* | *517* | | *30* | *5* | | *594* |
| International | 196 | 15 | | | | | | 211 |
| | *188* | *11* | | | | | | *199* |
| Sub-total | 32,918 | 14,298 | 14,628 | (2,720) | 31,314 | 4,823 | | 95,261 |
| | *31,371* | *14,084* | *12,978* | *(3,177)* | *28,640* | *1,240* | | *85,136* |
| Accrual and other adjustments | | | (58) | | 32 | (1,867) | | (1,893) |
| | | | *55* | | | *2,778* | | *2,833* |
| Total (Net) | 32,918 | 14,298 | 14,570 | (2,720) | 31,346 | 2,956 | | 93,368 |
| | *31,371* | *14,084* | *13,033* | *(3,177)* | *28,640* | *4,018* | | *87,969* |
| Add: tax credits and repayments | (963) | | | | | | 11,894 | 10,931 |
| | *(1,087)* | | | | | | *11,214* | *10,127* |
| Total (Gross) | 31,955 | 14,298 | 14,570 | (2,720) | 31,346 | 2,956 | 11,894 | 104,299 |
| | *30,284* | *14,084* | *13,033* | *(3,177)* | *28,640* | *4,018* | *11,214* | *98,096* |

Amounts in roman type are 2007-2008 transfer payments.
Amounts in *italic* type are 2006-2007 transfer payments.
(1) Includes the guaranteed income supplement and the spouse's allowance.
(2) Includes payments to the Clean Air and Climate Change Trust Fund of $1,519 million, the Community Development Trust of $1,000 million, the Contributions under the Gas Tax Fund of $778 million, the Transition Trust of $614 million, the Patient Wait Times Guarantee Trust of $612 million, the HPV Immunization Trust of $300 million.

## Public debt charges

Public debt charges include the interest on unmatured debt and on pensions, other employee and veteran future benefits and other liabilities, the amortization of premiums, discounts and commissions on unmatured debt, and the servicing costs and the costs of issuing new borrowings.

A comparative summary of public debt charges is presented in Table 3.8. The table also discloses the reconciling items between total public debt charges as reported in the ministerial section of the Department of Finance (Section 8) of Volume II and the total expenses of the public debt indicated in Table 3.6. The reconciling items include the expenses of the consolidated specified purpose accounts, accrual adjustments and other items.

## TABLE 3.8
## PUBLIC DEBT CHARGES [1]

(in millions of dollars)

| | 2007-2008 | 2006-2007 |
|---|---|---|
| Unmatured debt— | | |
| Interest on: | | |
| Marketable bonds | 13,443 | 14,184 |
| Retail debt | 579 | 720 |
| Bonds for Canada Pension Plan | 130 | 215 |
| Promissory note - TD Trust Company | | [2] |
| Promissory notes - Montreal Trust Company | | [2] |
| Promissory notes - Computershare Trust Company | | [2] |
| Canada notes | 9 | 9 |
| Euro medium term notes | 70 | 73 |
| | *14,231* | *15,201* |
| Amortization of premiums, discounts and commissions on: | | |
| Treasury bills | 4,611 | 4,692 |
| Marketable bonds | 1,105 | 1,094 |
| Consumer price index adjustments on real return bonds | 563 | 265 |
| Canada bills | 83 | 106 |
| Canada savings and Canada premium bonds | 19 | 21 |
| | *6,581* | *6,178* |
| Servicing costs and costs of issuing new borrowings | 53 | 73 |
| Cross-currency swap revaluation account | (229) | (174) |
| Capital lease obligations | 204 | 187 |
| Total public debt charges related to unmatured debt | 20,640 | 21,465 |
| Pension and other liabilities— | | |
| Interest on: | | |
| Public sector pensions—Superannuation accounts | 10,486 | 10,561 |
| Less: provision for pension adjustment | (890) | (1,072) |
| | *9,596* | *9,489* |
| Other employee and veteran future benefits— | | |
| Health and dental care plans | 693 | 674 |
| Severance benefits | 221 | 211 |
| Worker's compensation | 31 | 32 |
| Veteran benefit plan | 1,686 | 1,643 |
| Royal Canadian Mounted Police benefit plan | 109 | 88 |
| | *2,740* | *2,648* |
| Canada Pension Plan | 8 | 9 |
| Government Annuities Account | 21 | 22 |
| Deposit and trust accounts | 65 | 44 |
| Other specified purpose accounts | 209 | 216 |
| Other liabilities | 46 | 52 |
| Total public debt charges related to pension and other liabilities | 12,685 | 12,480 |
| Consolidated specified purpose accounts— | | |
| Interest on: | | |
| Employment Insurance Account | 1,926 | 1,912 |
| Other | 15 | 15 |
| Total public debt charges related to consolidated specified purpose accounts | 1,941 | 1,927 |
| Total public debt charges before consolidation adjustments | 35,266 | 35,872 |
| Less: consolidation adjustments | 1,941 | 1,927 |
| Total public debt charges [1] [3] | 33,325 | 33,945 |
| Comprised of: | | |
| Total public debt charges under statutory authorities before accrual and other adjustments and consolidation adjustments | 33,212 | 34,109 |
| Accrual and other adjustments | 2,054 | 1,763 |
| Consolidation adjustments | (1,941) | (1,927) |
| Total public debt charges | 33,325 | 33,945 |

Certain comparative figures have been reclassified to conform to the current year's presentation.
[1] A summary is provided in Table 2a in Section 1 of Volume II of the *Public Accounts of Canada*.
[2] Less than $500,000.
[3] Additional details are provided in Section 7 of Volume III of the *Public Accounts of Canada*.

## Expenses by Object

*Table 3.9 reconciles the total expenses by object to the total* expenditures by object initially recorded by departments.

**TABLE 3.9**
TOTAL EXPENSES BY OBJECT [1]

(in millions of dollars)

| | Total expenses | Reconciliation | Total expenditures |
|---|---|---|---|
| Transfer payments | 131,331 | (17,559) | 113,772 |
| Other program expenses | | | |
| Crown corporations and other program expenses | 6,985 | (6,985) | |
| Personnel | 35,820 | (3,638) | 32,182 |
| Transportation and communications | 2,978 | 141 | 3,119 |
| Information | 295 | 13 | 308 |
| Professional and special services | 7,819 | 1,396 | 8,415 |
| Rentals | 1,602 | 576 | 2,178 |
| Repair and maintenance | 2,582 | 592 | 3,174 |
| Utilities | 2,894 | 83 | 2,977 |
| Amortization expenses | 3,954 | (3,954) | |
| Loss on disposal of assets | 139 | (139) | |
| Other subsidies and expenses | 3,899 | 5,966 | 9,865 |
| Acquisition of land, buildings and works | | 728 | 728 |
| Acquisition of machinery and equipment | | 4,893 | 4,893 |
| | 68,167 | (328) | 67,839 |
| Public debt charges | 33,325 | (113) | 33,212 |
| Total | 232,823 | (18,000) | 214,823 |

(1) Additional details are provided in Table 3a in Section 1 of Volume II of the *Public Accounts of Canada*.

## Expenditures under Statutory Authorities

Spending authorities provided by statutory authorities are for specified purposes and for such amounts and such time as the acts prescribe. These spending authorities do not generally lapse at the end of the year in which they were granted. Expenditures under such authorities account for more than two-thirds of the total program expenses each year.

Table 3.10 presents a comparative summary of the ministerial statutory expenditures.

## TABLE 3.10
## EXPENDITURES UNDER STATUTORY AUTHORITIES

(in millions of dollars)

| | 2007-2008 | | 2006-2007 [1] | |
|---|---|---|---|---|
| Public debt charges | | 33,212 | | 34,109 |
| Old age security payments (*Old Age Security Act*) | | 24,030 | | 22,879 |
| Canada health transfer (Part V.1 — *Federal-Provincial Fiscal Arrangements Act*) | | 21,474 | | 20,140 |
| Fiscal equalization (Part I — *Federal-Provincial Fiscal Arrangements Act*) | | 12,925 | | 11,535 |
| Canada social transfer (Part V.1 — *Federal-Provincial Fiscal Arrangements Act*) | | 9,590 | | 8,500 |
| Guaranteed income supplement payments (*Old Age Security Act*) | | 7,407 | | 6,901 |
| Universal child care benefit (*Universal Child Care Benefit Act*) | | 2,474 | | 1,784 |
| Territorial financing (Part I.1 — *Federal-Provincial Fiscal Arrangements Act*) | | 2,221 | | 2,118 |
| Payments to the Newfoundland Offshore Petroleum Resource Revenues Fund | | 1,701 | | 313 |
| Clean Air and Climate Change Trust Fund (*Budget Implementation Act, 2007*) | | 1,519 | | |
| Compensation for individuals infected with the Hepatitis C virus through the Canadian blood supply before 1986 and after 1990 | | 1,024 | | |
| Community development | | 1,000 | | |
| Transitional payments (*Budget Implementation Act, 2007*) | | 614 | | |
| Patient wait times guarantee (*Budget Implementation Act, 2007*) | | 612 | | |
| Payments to provinces under the *Softwood Lumber Products Export Charge Act* | | 604 | | |
| Grants and contributions for the AgriInvest kickstart program | | 580 | | |
| Canada Education Savings grant payments to Registered Education Savings Plans (RESPs) trustees on behalf of RESP beneficiaries to encourage Canadians to save for post-secondary education for their children | | 580 | | 505 |
| Allowance payments (*Old Age Security Act*) | | 518 | | 504 |
| Payments to the Nova Scotia Offshore Revenues Account | | 493 | | 276 |
| Contributions in support of business risk management programs under the agricultural policy framework — Production insurance | | 416 | | 343 |
| Superannuation, supplementary retirement benefits, death benefits and other pensions [2] | | | | |
| Public Service | | | | |
| Government's contributions to the Public Service pension plan and the Retirement Compensation Arrangements Account | 2,218 | | 2,119 | |
| Government's contribution as employer to the Employment Insurance Account | 235 | | 236 | |
| Government's contributions to the Canada and the Quebec Pension Plans | 540 | | 512 | |
| Government's contributions to the Death Benefit Account | 10 | | 10 | |
| | | 3,003 | | 2,877 |
| *Less:* recoveries from revolving funds | | 114 | | 103 |
| | | 2,889 | | 2,774 |
| Canadian Forces | | | | |
| Government's contribution to the Canadian Forces pension plan and the Retirement Compensation Arrangements Account | | 831 | | 693 |
| Statutory payments under the *Supplementary Retirement Benefits Act* | | 6 | | 7 |
| Government's contribution as employer to the Employment Insurance Account | | 67 | | 67 |
| Government's contribution to the Canada and the Quebec Pension Plans | | 156 | | 143 |
| Government's contribution to the Death Benefit Account | | 3 | | 3 |
| | | 1,063 | | 913 |
| Royal Canadian Mounted Police | | | | |
| Government's contribution to the Royal Canadian Mounted Police pension plan and the Retirement Compensation Arrangements Account | | 224 | | 213 |
| Statutory payments under the *Supplementary Retirement Benefits Act* | | 15 | | 15 |
| Government's contribution as employer to the Employment Insurance Account | | 18 | | 18 |
| Government's contribution to the Canada and the Quebec Pension Plans | | 42 | | 40 |
| | | 299 | | 286 |
| All other statutory expenditures | | 2,497 | | 2,404 |
| **Total ministerial expenditures under statutory authorities** [3] | | **129,742** | | **116,284** |

[1] Certain comparative figures have been reclassified to conform to the current year's presentation.
[2] Details related to other pension accounts, such as the Members of Parliament Retiring Allowances Account, are not included.
[3] Additional information on the ministerial expenditures under statutory authorities are provided in Table 7 in Section 1 of Volume II of the *Public Accounts of Canada*.

# SECTION 4

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

# Consolidated Accounts

## CONTENTS


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# CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES

This section provides all related information on consolidated Crown corporations and other entities. Consolidated entities are those who rely on Government funding is their principal source of revenue and are controlled by the Government.

Consolidation involves the combination of the accounts of these corporations and other entities on a line-by-line and uniform basis of accounting and eliminating inter-organizational balances and transactions. Before these balances and transactions can be eliminated, the corporations and other entities' accounts must be adjusted to the Government basis of accounting. Most corporations and other entities follow generally accepted accounting principles (GAAP) used by private sector companies.

## Summary Financial Statements of Consolidated Crown Corporations and Other Entities

The following tables display details of the assets, liabilities, revenues and expenses of the consolidated Crown corporations and other entities.

For those corporations and other entities having other year ends than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

Tables 4.1 and 4.2 summarize the financial transactions and results of operations as reported by the consolidated Crown corporations and other entities.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between third parties and Government, Crown corporations and other entities. The financial assets reported under Government, Crown corporations and other entities represent receivables, loans and investments between related parties. Non-financial assets represent the unexpensed portion of capital assets, inventories and prepayments such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government, Crown corporations and other entities. Borrowings from third parties represent long-term debts payable of the corporations and other entities. Other third party liabilities are amounts due for purchases, employee benefits, various accruals, capital leases and like items. The liabilities reported under Government, Crown corporations and other entities represent payables and borrowings between related parties.

Revenues are segregated between third parties and Government, Crown corporations and other entities. Government, Crown corporations and other entities' revenues are broken down further to identify revenues arising from normal operations and financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are segregated between third parties and Government, Crown corporations and other entities. Equity transactions other than current year's net income or loss are segregated between adjustments, other comprehensive income and transactions with the Government. Equity adjustments and other include prior period adjustments and other miscellaneous items recorded by the corporations and other entities. Other comprehensive income comprises unrealized gains and losses that are recognized in comprehensive income, but excluded from net income. Upon realization, these gains and losses are included in net income. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as capital transactions with the Government. The line "Conversion to the Government accounting basis for consolidation purposes" represents the adjustments required to bring the corporations and other entities' generally accepted accounting principles basis of accounting to the Government's basis of accounting.

These tables present consolidated financial information on consolidated parent Crown corporations and financial information on wholly-owned subsidiaries that are unconsolidated with their parent corporation, but consolidated directly in the financial statements of the Government. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Consolidated Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by consolidated agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. There were no borrowings by consolidated agent Crown corporations for the year ended March 31, 2008. Contingent liabilities of consolidated corporations and other entities are presented in Table 4.3.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations and other entities for the year ended March 31, 2008 is provided in Table 4.4. Differences in figures reported in Table 4.2 and those reported in Table 4.4 result from the use of different accounting policies and from items in transit.

## TABLE 4.1

## FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES—ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2008

(in thousands of dollars)

| | Assets | | | |
|---|---|---|---|---|
| | Financial | | | |
| Consolidated Crown corporations and other entities | Third parties | Government, Crown corporations and other entities | Non-financial | Total assets |
| **Crown corporations**[1] | | | | |
| Atomic Energy of Canada Limited | 398,336 | 2,279 | 464,528 | 865,143 |
| Canada Council for the Arts | 331,854 | 672 | 24,107 | 356,633 |
| Canada Lands Company Limited | | | | |
| Old Port of Montreal Corporation Inc. | 8,625 | | 23,307 | 31,932 |
| Canada Mortgage and Housing Corporation | | | | |
| Minister's Account | 2,577 | 81,433 | 479,387 | 563,397 |
| Canadian Air Transport Security Authority | 382,805 | 7,657 | 1,256,389 | 1,646,851 |
| Canadian Broadcasting Corporation | | | | |
| Canadian Dairy Commission | | | | |
| Dairy support operation financed by the Government of Canada | 41,857 | 744 | 300,877 | 343,578 |
| Canadian Museum of Civilization | 47,931 | 1,369 | 160,515 | 209,815 |
| Canadian Museum of Nature | 26,572 | | 74 | 26,646 |
| Canadian Race Relations Foundation | 20,052 | 736 | 6,855 | 27,643 |
| Canadian Tourism Commission[2][3] | 19,457 | 8,000 | 3,363 | 30,820 |
| Cape Breton Development Corporation | 38,550 | | 1 | 38,551 |
| Cape Breton Growth Fund Corporation[3] | 6,135 | 9,500 | 1,876 | 17,511 |
| Defence Construction (1951) Limited | 44,494 | 4,992 | 3,054 | 52,540 |
| Enterprise Cape Breton Corporation | 16,526 | 16,567 | 168,742 | 201,835 |
| Federal Bridge Corporation Limited, The[4] | 63,887 | 6,182 | 13,735 | 83,804 |
| International Development Research Centre | 14,148 | | 138,629 | 152,777 |
| Marine Atlantic Inc. | 46,389 | 315 | 34,478 | 81,182 |
| National Arts Centre Corporation | 137,482 | 4,421 | 525,657 | 667,560 |
| National Capital Commission | 18,354 | 767 | 91,450 | 112,571 |
| National Gallery of Canada | 12,601 | 396 | 53,673 | 66,670 |
| National Museum of Science and Technology | 4,636 | 1,517 | 1,743 | 7,896 |
| Standards Council of Canada | 8,568 | 42,946 | 9,950 | 61,464 |
| Telefilm Canada | 102,024 | 3,834 | 786,542 | 892,400 |
| VIA Rail Canada Inc. | 1,793,660 | 194,317 | 4,550,932 | 6,538,909 |
| Total | 19,317 | | (335,116) | (315,799) |
| Conversion to the Government accounting basis for consolidation purposes | 1,812,977 | 194,317 | 4,215,816 | 6,223,110 |
| Net Crown corporations on the Government accounting basis | | | | |
| **Other** | 414 | 124,299 | 623 | 125,336 |
| Aboriginal Healing Foundation | 1,637,077 | 693,585 | 1,433 | 2,327,895 |
| Canada Foundation for Innovation | 481,960 | 34,317 | 613 | 516,890 |
| Sustainable Development Technology Canada | 392,717 | 355,569 | 1,863 | 750,149 |
| Canada Millennium Scholarship Foundation | 2,507,168 | 1,207,770 | 4,532 | 3,719,470 |
| Total – Other | (37,495) | (10,153) | (1,699) | (49,347) |
| Conversion to the Government accounting basis for consolidation purposes | 2,469,673 | 1,197,617 | 2,833 | 3,670,123 |
| Net other on the Government accounting basis | 4,282,650 | 1,391,934 | 4,218,649 | 9,893,233 |
| Total | | | | |

(1) All Crown corporations listed in this table are parent Crown corporations except for the Old Port of Montreal Corporation Inc. and the Cape Breton Growth Fund Corporation.

(2) As a result of the unavailability of the March 31 information at time of production of the *Public Accounts of Canada*, the figures reported are those as at December 31, 2007; revenues and expenses represent nine months of operation.

(3) The figures reported are those as at June 6, 2007. On June 6, 2007, the Governor in Council revoked the deemed parent status of the corporation and its results after that date were consolidated with Enterprise Cape Breton Corporation. On April 1, 2008, the remaining assets and liabilities of the Corporation were transferred to Enterprise Cape Breton Corporation and the Corporation was dissolved.

(4) The financial information of The Federal Bridge Corporation Limited is consolidated to include the figures of its subsidiaries The Jacques Cartier and Champlain Bridges Incorporated, the Seaway International Bridge Corporation Limited and the St. Mary's River Bridge Company.

| Liabilities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Third parties | | | | | | | | |
| Borrowings | Other | Government, Crown corporations and other entities | Total liabilities | Accumulated profits (losses) | Contributed surplus | Capital stock | Equity of Canada | Total liabilities and equity |
| | 3,620,646 | 56,746 | 3,677,392 | (3,231,483) | 404,234 | 19,000 | (2,812,249) | 865,143 |
| | 16,810 | 1,783 | 18,593 | 238,422 | 70,118 | 50,000 | 308,540 | 356,633 |
| | 15,083 | 16,692 | 31,775 | 157 | | | 157 | 31,932 |
| | 85,936 | 460,374 | 546,310 | 17,087 | | | 17,087 | 563,397 |
| | 1,060,830 | 657,955 | 1,718,785 | (71,934) | | | (71,934) | 1,646,851 |
| | 19,567 | 261,738 | 281,305 | 21,105 | 40,868 | | 61,973 | 343,279 |
| | 42,558 | 172,263 | 214,821 | (6,430) | 1,424 | | (5,006) | 209,815 |
| | 180 | | 180 | 2,466 | 24,000 | | 26,466 | 26,646 |
| | 16,801 | 12,358 | 29,162 | (1,519) | | | (1,519) | 27,643 |
| | 346,988 | 128,773 | 475,761 | (444,443) | | | (444,443) | 30,850 |
| | 10,990 | | 10,990 | 28,161 | | | 28,161 | 38,551 |
| | 13,860 | 799 | 14,175 | 3,386 | | | 3,386 | 17,511 |
| | 7,498 | 4,895 | 12,393 | 40,147 | | | 40,147 | 52,540 |
| | 12,778 | 130,000 | 142,778 | 5,393 | 53,664 | | 59,057 | 201,835 |
| | 49,659 | 19,161 | 68,790 | 15,014 | | | 15,014 | 83,804 |
| | 1,808 | 140,915 | 142,723 | (248,476) | | 258,530 | 10,054 | 152,777 |
| | 19,006 | 60,389 | 79,395 | 1,787 | | | 1,787 | 81,182 |
| | 55,259 | 3,411 | 58,700 | (269,064) | 877,924 | | 608,860 | 667,560 |
| | 9,009 | 98,199 | 107,208 | 929 | 4,434 | | 5,363 | 112,571 |
| | 7,590 | 47,473 | 54,763 | 11,906 | 1 | | 11,907 | 66,670 |
| | 3,784 | 550 | 4,334 | 3,562 | | | 3,562 | 7,896 |
| | 4,410 | 8,050 | 12,460 | 48,994 | | | 48,994 | 61,454 |
| | 157,457 | 511,608 | 669,065 | 709,072 | 4,963 | 9,300 | 723,335 | 892,400 |
| | 5,607,616 | 2,792,997 | 8,400,508 | (3,625,799) | 1,431,630 | 332,830 | (1,861,799) | 6,538,909 |
| | (211,035) | (2,584,366) | (2,795,611) | 4,241,575 | (1,431,630) | (332,830) | 2,479,812 | (315,799) |
| | 5,396,571 | 208,076 | 5,604,597 | 618,513 | | | 618,513 | 6,223,110 |
| | 4,730 | 170,606 | 175,336 | | | | | 175,336 |
| | 641 | 2,326,454 | 2,327,095 | | | | | 2,327,095 |
| | 1,208 | 515,682 | 516,890 | | | | | 516,890 |
| | 60,286 | 689,863 | 750,149 | | | | | 750,149 |
| | 66,865 | 3,652,605 | 3,719,470 | | | | | 3,719,470 |
| | | (3,552,605) | (3,552,605) | 3,603,758 | | | 3,603,758 | 149,153 |
| | 66,865 | | 66,865 | 3,603,758 | | | 3,603,758 | 3,670,623 |
| | 5,463,436 | 208,076 | 5,671,865 | 4,222,271 | | | 4,222,271 | 9,894,513 |

**TABLE 4.2**

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES FOR THE YEAR ENDED MARCH 31, 2008

(in thousands of dollars)

| | Revenues | | | |
|---|---|---|---|---|
| | | Government, Crown corporations and other entities | | |
| Consolidated Crown corporations and other entities | Third parties | Financial assistance | Other | Total |
| **Crown corporations** | | | | |
| Atomic Energy of Canada Limited | 614,231 | 180,995 | 104,326 | 899,549 |
| Canada Council for the Arts | 23,071 | 187,507 | 1,746 | 307,324 |
| Canada Lands Company Limited | | | | |
| Old Port of Montreal Corporation Inc. | 16,707 | 13,177 | 1,949 | 31,833 |
| Canada Mortgage and Housing Corporation | | | | |
| Minister's Account | | 2,154,549 | | 2,154,549 |
| Canadian Air Transport Security Authority | 3,247 | 487,634 | | 805,881 |
| Canadian Broadcasting Corporation | 969,518 | 994,964 | 104,249 | 1,665,767 |
| Canadian Dairy Commission | | | | |
| Dairy support operation financed by the Government of Canada | | 5,848 | | 5,848 |
| Canadian Museum of Civilization | 16,514 | 67,409 | 13,516 | 97,439 |
| Canadian Museum of Nature | 5,347 | 36,744 | 1,703 | 51,791 |
| Canadian Race Relations Foundation | 1,655 | | | 2,655 |
| Canadian Tourism Commission | 9,317 | 60,681 | 7,804 | 77,802 |
| Cape Breton Development Corporation | 5,177 | 60,000 | | 65,177 |
| Cape Breton Growth Fund Corporation | 385 | | | 385 |
| Defence Construction (1951) Limited | 758 | | 55,458 | 55,716 |
| Enterprise Cape Breton Corporation | 3,167 | 8,650 | | 11,817 |
| Federal Bridge Corporation Limited, The | 14,554 | 75,963 | 9,079 | 85,596 |
| International Development Research Centre | 77,903 | 109,747 | 9,250 | 187,899 |
| Marine Atlantic Inc. | 73,185 | 66,536 | 10,084 | 149,787 |
| National Arts Centre Corporation | 25,971 | 35,771 | 5,209 | 66,697 |
| National Capital Commission | 29,894 | 96,699 | 9,913 | 135,964 |
| National Gallery of Canada | 11,516 | 52,146 | | 63,662 |
| National Museum of Science and Technology | 4,575 | 28,997 | 166 | 33,688 |
| Standards Council of Canada | 6,338 | 7,129 | 1,956 | 15,423 |
| Telefilm Canada | 24,387 | 103,308 | 16,870 | 144,565 |
| VIA Rail Canada Inc. | 261,919 | 712,996 | 35,577 | 960,493 |
| Total | 1,369,795 | 5,881,685 | 403,646 | 7,175,126 |
| Conversion to the Government accounting basis for consolidation purposes | 117,888 | 256,366 | (707,168) | 35,518 |
| Total on the Government accounting basis | 1,756,918 | 5,717,051 | 701,478 | 7,290,644 |
| Consolidation adjustments | 3,196 | (5,717,051) | (701,478) | (9,430,973) |
| Net amount – Crown corporations | 1,760,071 | | | 1,760,071 |
| **Other** | | | | |
| Aboriginal Healing Foundation | 3,371 | 100,000 | 143 | 105,663 |
| Canada Foundation for Innovation | 88,696 | | 42,988 | 131,685 |
| Sustainable Development Technology Canada | 18,567 | | 2,320 | 19,887 |
| Canada Millennium Scholarship Foundation | 19,613 | | 71,197 | 88,768 |
| Total | 127,300 | 100,000 | 69,639 | 296,939 |
| Conversion to the Government accounting basis for consolidation purposes | 26,783 | | (7,852) | 17,991 |
| Total on the Government accounting basis | 153,183 | 100,000 | 57,787 | 310,930 |
| Consolidation adjustments | 41,767 | (100,000) | (97,787) | (236,500) |
| Net amount – Other | 194,440 | | | 194,440 |
| Total | 1,954,511 | | | 1,954,511 |

The accompanying notes to Table 4.1 are an integral part of this table.

(1) The difference between this amount and the Crown corporations expenses presented in the Statement of Operations and Accumulated Deficit in Section 2 of this volume consists of $181 million in financial assistance to Enterprise Crown corporations.

| Illegible | Illegible Government, Crown corporations and other entities | Total | Net income or loss(-) | Equity beginning of year | Equity adjustments and other | Other comprehensive income | Equity transactions with the Government: Dividends | Equity transactions with the Government: Capital | Equity end of year |
|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible]963,996 | (364,447) | (2,419,409) | (28,174) | (219) | | | (2,812,249) |
| [illegible] | | [illegible]97,647 | 9,677 | 243,009 | (27) | 55,881 | | | 308,540 |
| [illegible] | | 32,036 | (203) | 360 | | | | | 157 |
| [illegible] | | [illegible]54,549 | | | | | | | |
| [illegible] | [illegible] | 186,024 | (143) | 17,230 | | | | | 17,087 |
| [illegible] | [illegible] | [illegible]97,084 | (33,817) | (30,244) | | (7,873) | | | (71,934) |
| [illegible] | | 3,848 | | | | | | | |
| [illegible] | [illegible] | 98,398 | (5,959) | 66,463 | (49) | 1,518 | | | 61,973 |
| [illegible] | [illegible] | 31,742 | 49 | (6,479) | | 1,424 | | | (5,006) |
| [illegible] | | 3,937 | (2,282) | 25,606 | 3,142 | | | | 26,466 |
| [illegible] | [illegible] | 72,974 | (93) | (1,426) | | | | | (1,519) |
| [illegible] | [illegible] | 94,152 | (29,030) | (415,411) | | | | | (444,441) |
| [illegible] | | 99 | 286 | 30,746 | (2,871) | | | | 28,161 |
| [illegible] | | 56,422 | (706) | 4,092 | | | | | 3,386 |
| [illegible] | [illegible] | 11,997 | (185) | 13,526 | 26,806 | | | | 40,147 |
| [illegible] | | 42,865 | 2,731 | 56,485 | (159) | | | | 59,057 |
| [illegible] | | 189,871 | (7,776) | 18,370 | 4,420 | | | | 15,014 |
| [illegible] | | 159,407 | (9,625) | 19,679 | | | | | 10,054 |
| [illegible] | [illegible] | 65,749 | 858 | 956 | | (27) | | | 1,787 |
| [illegible] | [illegible] | 134,319 | 1,645 | 606,824 | 391 | | | | 608,860 |
| [illegible] | [illegible] | 63,807 | 55 | 4,434 | | 874 | | | 5,363 |
| [illegible] | [illegible] | 33,301 | 387 | 11,098 | | 422 | | | 11,907 |
| [illegible] | [illegible] | 14,552 | 465 | 2,987 | | 110 | | | 3,562 |
| [illegible] | [illegible] | 137,018 | 7,342 | 41,015 | 637 | | | | 48,994 |
| [illegible] | [illegible] | 505,471 | 54,632 | 168,703 | | | | | 223,335 |
| [illegible] | [illegible] | 551,265 | (376,139) | (1,541,386) | 4,116 | 52,110 | | | (1,861,299) |
| [illegible] | [illegible] | 158,998) | 174,316 | 2,361,722 | (4,116) | (52,110) | | | 2,479,812 |
| [illegible] | [illegible] | 392,267 | (201,873) | 820,336 | | | | | 618,513 |
| [illegible] | [illegible] | 533,581) | (5,196,792) | | 5,196,792 | | | | |
| [illegible] | | [illegible]58,686[1] | (5,398,615) | 820,336 | 5,196,792 | | | | 618,513 |
| [illegible] | | 33,470 | 77,197 | | (77,197) | | | | |
| [illegible] | [illegible] | 609,560 | (177,863) | | 177,863 | | | | |
| [illegible] | | 34,679 | (14,792) | | 14,792 | | | | |
| [illegible] | | 385,312 | (344,544) | | 344,544 | | | | |
| [illegible] | [illegible] | 763,021 | (465,002) | | 465,002 | | | | |
| [illegible] | [illegible] | 1,565 | 11,386 | 4,056,874 | (465,002) | | | | 3,603,258 |
| [illegible] | [illegible] | 764,586 | (453,616) | 4,056,874 | | | | | 3,603,258 |
| [illegible] | [illegible] | 116,909) | 379 | | (379) | | | | |
| [illegible] | | 647,677 | (453,237) | 4,056,874 | (379) | | | | 3,603,258 |
| [illegible] | | 806,363 | (5,851,852) | 4,877,210 | 5,196,413 | | | | 4,221,771 |

## Contingent Liabilities of Consolidated Crown Corporations and Other Entities

Table 4.3 summarizes the contingent liabilities of the consolidated Crown corporations and other entities. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

**TABLE 4.3**

CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES

(in thousands of dollars)

| | March 31, 2008 |
|---|---|
| Agent Crown corporations | |
| Canadian Broadcasting Corporation – Miscellaneous litigations | 35,000 |
| Defence Construction (1951) Limited – Miscellaneous litigations | 75 |
| National Capital Commission – Environmental, miscellaneous litigations and agreements | 452,164 |
| Telefilm Canada | 3,409 |
| Non-agent Crown corporations | |
| International Development Research Centre – Miscellaneous litigations | 561 |
| Marine Atlantic Inc. – Site contamination lawsuit, miscellaneous litigations | 1,676 |
| Total | 492,885 |

## Financial Assistance under Budgetary Appropriations to Consolidated Crown Corporations

Table 4.4 summarizes financial assistance under budgetary appropriations for both consolidated agent and non-agent Crown corporations. It should be read in conjunction with Table 4.2. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts approved through an operating expenditures vote and (b) amounts approved through a capital expenditures vote.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

Differences in figures reported in Table 4.2 and those reported in Table 4.4 result from the use of different accounting policies and from items in transit.

Payments to other entities are recorded as transfer payments and are disclosed in Volume II.

**TABLE 4.4**

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2008

(in thousands of dollars)

| | Operating expenditures vote | Capital expenditures vote | Financial assistance under budgetary appropriations[1] |
|---|---|---|---|
| Agent Crown corporations | | | |
| Atomic Energy of Canada Limited | 197,856 | | 197,856 |
| Canada Mortgage and Housing Corporation[2] | 2,154,549 | | 2,154,549 |
| Canadian Air Transport Security Authority | 440,717 | | 440,717 |
| Canadian Broadcasting Corporation | 993,964 | 110,398 | 1,104,962 |
| Canadian Dairy Commission | 3,848 | | 3,848 |
| Canadian Tourism Commission | 79,787 | | 79,787 |
| Canadian Museum of Civilization | 62,809 | | 62,809 |
| Canadian Museum of Nature | 85,092 | | 85,092 |
| Cape Breton Development Corporation | 60,000 | | 60,000 |
| Enterprise Cape Breton Corporation | 8,650 | | 8,650 |
| Federal Bridge Corporation Limited, The | 30,767 | | 30,767 |
| National Capital Commission | 78,160 | 17,935 | 96,095 |
| National Gallery of Canada | 43,912 | 8,000 | 51,912 |
| National Museum of Science and Technology | 32,126 | | 32,126 |
| Old Port of Montreal Corporation Inc. | 18,874 | | 18,874 |
| Telefilm Canada | 101,386 | | 101,386 |
| | 4,390,692 | 136,333 | 4,527,025 |
| Non-agent Crown corporations | | | |
| Canada Council for the Arts | 181,783 | | 181,783 |
| International Development Research Centre | 155,241 | | 155,241 |
| Marine Atlantic Inc. | 74,445 | | 74,445 |
| National Arts Centre Corporation | 55,931 | | 55,931 |
| Standards Council of Canada | 7,129 | | 7,129 |
| VIA Rail Canada Inc. | 290,497 | | 290,497 |
| | 765,026 | | 765,026 |
| Total | 5,095,718 | 136,333 | 5,232,051 |

(1) Excludes grants and contributions paid to agent and non-agent consolidated Crown corporations where they qualify as members of a general class of recipients.
(2) Includes budgetary appropriations for Government programs known as the "Minister's Account"

# CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are special categories of revenues and expenses which report transactions of certain accounts where enabling legislation requires that revenues be earmarked, and that related expenses be charged against such revenues. They are used principally where the activities are similar in nature to departmental activities and the transactions do not represent liabilities to third parties but in essence constitute Government revenues and expenses.

The transactions of these accounts are reported with revenues and expenses, in order to provide a more comprehensive reporting of the Government's operating results.

Further, enabling legislation requires that the transactions in each of these accounts be accounted for separately. Table 4.5 presents a summary of the balances and transactions of these accounts, in the manner required by legislation. A narrative description is provided for accounts reported in Table 4.5. Such description follows the same presentation order as the respective table.

The financial statements of the Employment Insurance Account, together with the Auditor General's report thereon, are presented at the end of this section.

## TABLE 4.5

### CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

| | | Revenues and other credits | | Expenses and other debits | | |
|---|---|---|---|---|---|---|
| | April 1/2007 | External transactions | Internal transactions | External transactions | Internal transactions | March 31/2008 |
| | $ | $ | $ | $ | $ | $ |
| Insurance accounts | | | | | | |
| Agriculture and Agri-Food | | | | | | |
| Crop Reinsurance Fund | 157,883,375 | 88,157,956 | | 319,937 | 27,670,000 | 217,699,951 |
| Less: interest-bearing loans | 998,874,751 | | | | 27,670,000 | 670,954,751 |
| | (340,991,376) | 88,157,956 | | 319,937 | | (72,744,800) |
| Agricultural Commodities Stabilization Accounts | 646,510 | | | (65) | | 646,575 |
| | (340,345,810) | 88,157,956 | | 319,862 | | (72,900,225) |
| Finance | | | | | | |
| Investors' Indemnity Account | 49,303 | | | | | 49,303 |
| Health | | | | | | |
| Health Insurance Supplementary Account | 28,387 | | | | | 28,387 |
| Human Resources and Skills Development | | | | | | |
| Employment Insurance Account, Table 4.6 | 54,118,634,667 | 16,971,574,588 | 1,926,314,686 | 14,517,977,734 | 1,549,315,174 | 56,953,790,765 |
| Natural Resources | | | | | | |
| Canadian Nuclear Safety Commission, Nuclear Liability Reinsurance Account | 1,369,745 | 286,128 | | | | 1,655,873 |
| Transport | | | | | | |
| Ship-Source Oil Pollution Fund | 363,782,613 | 7,961 | 14,354,972 | 738,969 | 1,873,841 | 376,931,268 |
| Total insurance accounts | 54,143,554,734 | 17,060,029,429 | 1,940,669,658 | 14,519,036,942 | 1,586,189,015 | 97,078,973,371 |

**TABLE 4.5**

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

| | | Revenues and other credits | | Expenses and other debits | | |
|---|---|---|---|---|---|---|
| | April 1/2007 | External transactions | Internal transactions | External transactions | Internal transactions | March 31/2008 |
| | $ | $ | $ | $ | $ | $ |
| Other consolidated specified purpose accounts | | | | | | |
| Canadian Heritage | | | | | | |
| National Battlefields Commission Trust Fund[1] | 578,609 | 91,537 | 22,193 | 7,535 | | 684,804 |
| Environment | | | | | | |
| Environmental Damages Fund | 2,042,789 | 649,863 | | 346,021 | | 2,346,631 |
| Parks Canada Agency | | | | | | |
| New Parks and Historic Sites Account | 14,277,692 | 548,595 | 500,000 | 1,237,844 | 2,360,678 | 11,727,765 |
| | *16,320,481* | *1,198,458* | *500,000* | *1,583,865* | *2,360,678* | *14,074,396* |
| Finance | | | | | | |
| Canadian Commercial Bank and Northland Bank Holdback Account | 246,223,464 | | | | | 246,223,464 |
| Fisheries and Oceans | | | | | | |
| Supplementary Fines Fish Account | 851,271 | 296,250 | | 337,973 | | 809,548 |
| Indian Affairs and Northern Development | | | | | | |
| Environmental Studies Research Fund | 546,519 | | 751,540 | | 918,000 | 380,059 |
| Natural Resources | | | | | | |
| Environmental Studies Research Fund | 2,481,005 | | 2,168,300 | | 2,465,000 | 2,184,305 |
| Public Works and Government Services | | | | | | |
| Seized Property Proceeds Account | 28,469,788 | 29,547,548 | | 28,754,053 | | 29,263,283 |
| Transport | | | | | | |
| Fines for the Transportation of Dangerous Goods | 614,421 | 48,500 | | | | 662,921 |
| Total other consolidated specified purpose accounts | 296,085,558 | 31,182,293 | 3,442,033 | 30,683,426 | 5,743,678 | 294,282,780 |
| Endowment principal | | | | | | |
| Environment | | | | | | |
| Parks Canada Agency | | | | | | |
| Mackenzie King trust account | 225,000 | | | | | 225,000 |
| Health | | | | | | |
| Canadian Institutes of Health Research | | | | | | |
| Endowments for Health Research | 140,267 | | | | | 140,267 |
| Industry | | | | | | |
| National Research Council of Canada | | | | | | |
| H.L. Holmes Fund | 4,192,217 | 118,105 | | | | 4,310,322 |
| Social Sciences and Humanities Research Council | | | | | | |
| Queen's Fellowship Fund | 250,000 | | | | | 250,000 |
| Total endowment principal | 4,807,484 | 118,105 | | | | 4,925,589 |
| Total | 54,444,447,776 | 17,091,325,823 | 1,944,211,641 | 14,549,720,007 | 1,552,133,493 | 57,378,131,740 |

[1] The opening balance has been restated by $177,719.

## Insurance Accounts

For the following Insurance Accounts, revenues and other credits from outside parties totalled $17,060 million ($16,952 million in 2007) while expenses and other debits to outside parties totalled $14,519 million ($14,283 million in 2007) and are reported as expenses in the Statement of Operations.

Revenues and other credits of $1,941 million ($2,247 million in 2007) and expenses and other debits of $1,546 million ($1,534 million in 2007) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

### Crop Reinsurance Fund

This Fund, continued in the accounts of Canada pursuant to subsection 13(1) of the *Farm Income Protection Act*, provides insurance to participating provinces for costs they incur in operating various crop insurance schemes. The Crop Reinsurance Fund currently operates under the authority of the *Farm Income Protection Act*.

The revenues of the Fund come from moneys paid by the provinces for the purpose of reinsurance and the expenditures of the Fund are moneys paid to the provinces under the terms of reinsurance agreements. When there is insufficient revenues in the Fund to meet payments, the Minister of Finance may authorize an advance of additional funds to cover these obligations. These advances are recovered from future revenues from the provinces. The interest rate has been set by the Department of Finance at zero percent.

### Agricultural Commodities Stabilization Accounts

The purpose of these accounts was to reduce income loss to producers from market risks through stabilizing prices. Premiums were shared equally by the Government of Canada, the governments of participating provinces and participating producers.

These accounts are continued in the accounts of Canada pursuant to subsection 16(2) of the *Farm Income Protection Act*. Current activities are limited to collection of accounts receivable. The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

### Investors' Indemnity Account

Section 57 of the *Financial Administration Act* provides for this account, and for the crediting thereto of the sum of $25,000, such further amounts as are appropriated by Parliament for the purpose of this section, and any recovery of losses referred to in section 58 of the *Act*. This sum was increased to $50,000 by Treasury Board Submission No. 817667 dated December 12, 1991.

Section 58 of the *Act* states that the Minister may, in accordance with and subject to regulations, pay out of the account, any losses sustained by subscribers for Government securities, who have paid all or part of the purchase price but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

### Health Insurance Supplementary Account

This account was established pursuant to Vote L16b, *Appropriation Act No. 2, 1973*, to record payments in respect of persons who, through no fault of their own, have lost or been unable to obtain coverage for the insured health services under the *Canada Health Act*, and in accordance with the Federal-Provincial Agreement on Eligibility and Portability. Contributions are made by all provinces to the account in proportion to population and are matched by the Federal Government.

### Employment Insurance Account

The *Employment Insurance Act* provides for a compulsory contributory employment insurance program applicable to all employees and employers, with few exceptions.

The *Act* authorizes that an account be established in the accounts of Canada to be known as the Employment Insurance Account.

The *Act* provides that the following be credited to the Account: *(a)* premiums, penalties and interest; *(b)* refunds of overpayments of benefits and support measures under Part II of the *Act*; *(c)* repayments of overpayments made by the Commission under the Labour Market Development Agreements; *(d)* amounts for services rendered to other Government departments or agencies, or to the public; *(e)* amounts provided for any other purposes related to employment insurance and authorized by an appropriation administered by the Canada Employment Insurance Commission; and, *(f)* interest on the balance of the Account at such rates as the Minister of Finance may authorize.

The *Act* also provides that the following be charged to the Account: *(a)* benefits, support measures and financial assistance provided under Part II of the *Act*; *(b)* contributions to provinces under the Labour Market Development Agreements; *(c)* costs of administering the *Act* including administration costs transferred to provinces; and, *(d)* interest on advances made by the Minister of Finance.

Employee premium rate for each $100 of insurable earnings was $1.80 from April 1, 2007 to December 31, 2007 for employees without a Provincial Parental Insurance Plan and $1.46 for the others. From January 1, 2008 to March 31, 2008, the rate was $1.73 for employees without a Provincial Parental Insurance Plan and $1.39 for the others.

Table 4.6 presents a statement of the transactions in the Employment Insurance Account.

**TABLE 4.6**

TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT
(in millions of dollars)

| | 2007-2008 | 2006-2007 |
|---|---|---|
| REVENUES AND OTHER CREDITS | | |
| Premiums | | |
| Employers and employees[1] | 16,877 | 17,109 |
| Penalties and interest revenue | 95 | 97 |
| Interest earned | 1,926 | 1,912 |
| | 18,898 | 19,118 |
| EXPENSES AND OTHER DEBITS | | |
| Benefits | 12,877 | 13,056 |
| Transfers to the provinces | | |
| Part II | 1,421 | 1,078 |
| Administration costs | 1,539 | 1,528 |
| Administration cost transferred to provinces | 145 | 105 |
| Bad debts | 81 | 99 |
| | 16,063 | 15,816 |
| Net change | 2,835 | 3,302 |
| Balance at beginning of year | 54,118 | 50,816 |
| Balance at end of year | 56,953 | 54,118 |

(1) The difference between premium revenue presented here and the amount presented in the Government of Canada financial statements is due to the elimination on consolidation of premiums incurred by the Government of Canada, for an amount of $319 million ($320 million in 2007).

### Nuclear Liability Reinsurance Account

This account was established pursuant to sections 16 and 17 of the *Nuclear Liability Act*, to record premiums and to provide for payment of claims arising from accidents at an insured facility.

### Ship-Source Oil Pollution Fund

This account was established pursuant to section 702 of the *Canada Shipping Act*, to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the Fund Administrator, and related oil pollution control expenses, are to be financed out of the Fund.

## Other Consolidated Specified Purpose Accounts

For the following Other Specified Purpose Accounts, revenues and other credits from outside parties of $31 million ($24 million in 2007) are reported while expenses and other debits to outside parties of $31 million ($28 million in 2007) are reported in the Statement of Operations.

Revenues and other credits of $3 million ($6 million in 2007), and expenses and other debits of $6 million ($3 million in 2007) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

### Trust Fund—National Battlefields Commission

This account was established at the creation of the National Battlefields Commission for the purpose of acquiring various properties for the development of the park. The monies are received by way of private contributions, from municipal corporations, provincial governments and others, and deposited for the purposes of the Commission, as prescribed for in its incorporation Act. Following the land acquisitions of the Commission, an amount of money remained in the account and increased over a period of years as a result of interest earned, while the Commission was listed in Schedule C of the *Financial Administration Act*, prior to September 1, 1984.

### Environmental Damages Fund

This account was established for the management of court orders/awards or other financial compensation to Environment Canada for damages to the environment.

### New Parks and Historic Sites Account

This account was established pursuant to the *Parks Canada Agency Act* to record payments to be used to acquire lands or property required to establish any national park, national historic site or other protected heritage area that has not yet attained full operation status, and to make any related contributions.

### Canadian Commercial Bank and Northland Bank Holdback Account

This account was established to record the amount held from the recovery of monies received from the winding up of Canadian Commercial Bank and Northland Bank.

During the fiscal year, no claims have been received for potential payments from the holdback.

### Supplementary Fines Fish Account

The account was established to record the deposit of monies received from persons declared guilty of offences under the *Fisheries Act*, and fined by courts under paragraph 79(2)(f) of the *Act*.

### Environmental Studies Research Fund—Indian Affairs and Northern Development

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this *Act* or any other Act of Parliament, should be conducted.

### Environmental Studies Research Fund—Natural Resources

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this *Act* or any other Act of Parliament, should be conducted.

### Seized Property Proceeds Account

This account was established pursuant to section 13 of the *Seized Property Management Act*, to record the net proceeds received from the disposition of seized and forfeited properties to Her Majesty or fines imposed and also monies received from the government of foreign states pursuant to agreements for the purpose of the *Act*. The *Act* also provides that the following be charged to the Account: operating expenses incurred in carrying out the purpose of the *Act*, amounts paid as a result of claims and repayments of advances from the Minister of Finance, interest on drawdown from Seized Property Working Capital Account and distribution of the proceeds to other Government departments and the Consolidated Revenue Fund.

### Fines for the Transportation of Dangerous Goods

This account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts.

## Endowment Principal

For the following Endowment Principal Accounts, revenues and other credits from outside parties of $118,000 ($115,000 in 2007) are reported in the Statement of Operations and Accumulated Deficit.

### Mackenzie King trust account

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of $225,000, to the Government of Canada. The amount of $225,000 was credited to the account and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

### Endowments for Health Research

This account was established by section 29 of the *Canadian Institutes of Health Research Act*, to record various endowments received from donors for the purpose of health research. The interest received is used for the payment of research grants.

### H.L. Holmes Fund

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

### Queen's Fellowship fund

This fund is an endowment of $250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

# SUPPLEMENTARY STATEMENT

## Employment Insurance Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Employment Insurance Account have been prepared by the management of the Canada Employment Insurance Commission in accordance with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in the financial statements, including the amounts which must, of necessity, be based on best estimates and judgement. The significant accounting policies are identified in Note 2 to the financial statements.

In support of its responsibility, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of the financial information, and to ensure that the transactions are in accordance with the *Employment Insurance Act* and regulations, as well as the *Financial Administration Act* and regulations.

The Employment Insurance Account's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister of Human Resources and Social Development.

The financial statements of the Employment Insurance Account are an integral part of the *Public Accounts of Canada*, which are tabled in Parliament and referred to the Standing Committee on Public Accounts for examination purposes.

JANICE CHARETTE
*Chairperson of the Canada Employment Insurance Commission*

BRUCE MANION, FCMA
*Chief Financial Officer*
*Human Resources and Social Development Canada*

*August 15, 2008*

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SOCIAL DEVELOPMENT

I have audited the balance sheet of the Employment Insurance Account as at March 31, 2008 and the statements of operations and accumulated surplus and cash flow for the year then ended. These financial statements are the responsibility of the Canada Employment Insurance Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Employment Insurance Account as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
August 15, 2008

## Employment Insurance Account—*Continued*

BALANCE SHEET AS AT MARCH 31
(in thousands of dollars)

| ASSETS | 2008 | 2007 | LIABILITIES | 2008 | 2007 |
|---|---|---|---|---|---|
| Balance of the account with Receiver General for Canada (Note 8) | 55,581,743 | 52,869,190 | Unredeemed warrants (Note 5) | 123,206 | 62,903 |
| Premiums receivable | 1,088,203 | 1,044,913 | Benefits payable | 328,790 | 500,862 |
| Due from claimants (Note 3) | 508,257 | 504,699 | Amounts payable (Note 6) | 139,773 | 183,086 |
| Amounts receivable (Note 4) | 353,665 | 436,200 | | 591,769 | 746,851 |
| Advances – Employment benefits and support measures | 12,507 | 11,944 | ACCUMULATED SURPLUS | 56,952,606 | 54,120,095 |
| | 57,544,375 | 54,866,946 | | 57,544,375 | 54,866,946 |

Contingent liabilities (Note 12)

The accompanying notes and schedule are an integral part of these financial statements.

Approved by:

JANICE CHARETTE
*Chairperson of the Canada Employment Insurance Commission*

BRUCE MANION, FCMA
*Chief Financial Officer*
*Human Resources and Social Development Canada*

## Employment Insurance Account—*Continued*

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| Revenue | | |
| Premiums (Note 7) | 16,877,137 | 17,109,170 |
| Interest on the balance of the account with Receiver General for Canada (Note 8) | 1,926,315 | 1,912,249 |
| Penalties (Note 3) | 57,815 | 56,118 |
| Interest on overdue accounts receivable (Note 3) | 34,446 | 39,432 |
| | 18,895,713 | 19,116,969 |
| Expenses | | |
| Benefits and support measures (Note 9 and Schedule) | 14,293,249 | 14,079,422 |
| Administration costs (Note 10) | 1,688,861 | 1,636,301 |
| Bad debts | 81,092 | 98,914 |
| | 16,063,202 | 15,814,637 |
| Surplus for the year | 2,832,511 | 3,302,332 |
| Accumulated surplus at the beginning of the year | 54,120,095 | 50,817,763 |
| Accumulated surplus at the end of the year | 56,952,606 | 54,120,095 |

The accompanying notes and schedule are an integral part of these financial statements.

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| Operating activities | | |
| Cash receipts: | | |
| Premiums | 16,833,847 | 17,381,280 |
| Interest received | 1,926,315 | 1,912,249 |
| Recoveries of benefit overpayments and penalties | 328,146 | 305,436 |
| | 19,088,308 | 19,598,965 |
| Cash payments: | | |
| Benefits and support measures | (14,723,307) | (14,613,835) |
| Administration costs | (1,712,681) | (1,553,566) |
| | (16,436,058) | (16,167,401) |
| Net increase in cash and cash equivalents | 2,652,250 | 3,431,564 |
| Cash and cash equivalents beginning of year | 52,806,287 | 49,374,723 |
| End of year | 55,458,537 | 52,806,287 |
| Cash and cash equivalents at end of year are represented by | | |
| Balance of the account with Receiver General for Canada | 55,581,743 | 52,869,190 |
| Unredeemed warrants | (123,206) | (62,903) |
| | 55,458,537 | 52,806,287 |

The accompanying notes and schedule are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

1. Authority, objective and responsibilities

The Canada Employment Insurance Commission (the Commission), a departmental corporation named in Schedule II to the *Financial Administration Act*, administers the *Employment Insurance Act* (the Act). The Commission is co-managed by the Government, workers and employers. The objective of the Act is to provide short-term financial relief and other assistance to eligible workers. The financial transactions relating to this objective are reported through the Employment Insurance Account.

The Employment Insurance Account (the Account) was established in the accounts of Canada by the Act. All amounts received under the Act are deposited in the Consolidated Revenue Fund and credited to the Account. The benefits and the costs of administration of the Act are paid out of the Consolidated Revenue Fund and charged to the Account.

The Minister of National Revenue is responsible for collecting premiums from employers and employees, and for administering and enforcing the provisions of the Act relating to benefit repayments receivable from higher income claimants.

The Act authorizes the Government of Canada to enter into Labour Market Development Agreements with each province and territory on the design and delivery of the active employment benefits and support measures contained in the Act. An agreement with the province of Ontario has been implemented on January 1st, 2007. Agreements with all other provinces and territories have already been entered into and implemented.

**Employment Insurance Account**—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 – *Continued*

Responsibility sharing varies from one agreement to the other. In some cases, the provinces and territories have full responsibility for delivering the active employment benefits and support measures; in others, the agreement provides for a co-management approach with the federal government.

The Act also authorizes the Government of Canada to enter into a premium reduction agreement with a province, to allow for a regulatory scheme to make the necessary adjustments and modifications to the Act. This is required to harmonize it with a provincial law that has the effect of reducing or eliminating the special benefits payable under the *Employment Insurance Act*. An agreement with the province of Quebec has been entered into and implemented in January 2006 for that province's parental insurance plan.

2. Significant accounting policies

The Account is a component of the Government of Canada reporting entity. In this context, its operations are consolidated with those of the Government and are presented in the financial statements of the Government of Canada. The financial statements of the Account are also presented in Volume I of the *Public Accounts of Canada*.

*(a)* Basis of accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector.

*(b)* Revenue—Premiums

Premiums are recognized as revenue in the period in which they are earned. Premiums earned in the period are measured from amounts assessed by the Canada Revenue Agency (CRA) and from estimates of amounts not assessed based on cash received. Premium revenue also includes adjustments between actual and estimated premiums of previous years.

*(c)* Expenses—Benefits and support measures

Income benefits (or benefits under Part I of the Act) provide temporary income support to claimants, including self-employed fishers, while they look for work. This includes work-sharing agreements for temporary work shortages. It also includes special benefits such as maternity, parental, sickness and compassionate care benefits. Income benefits represent the amounts paid and payable to claimants for the period relating to the financial year, less benefit overpayments established by the Commission during the year.

Employment benefits and support measures (or benefits under Part II of the Act) provide financial assistance, namely contributions, to eligible persons to help them re-integrate into the labour market and to third parties to help them provide employment assistance services to unemployed workers and employed persons if they are facing a loss of their employment. These expenses include the direct costs of financial and employment assistance programs and related measures provided to eligible persons and third parties. Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement. Overpayments established during the year are deducted from these expenses. Part II expenses also include the transfer payments to the provinces and territories for the design and delivery of programs similar to the employment benefits and support measures.

Claimants with higher income levels than those stated in the Act have to repay benefits received. Estimated benefit repayments received or receivable from those claimants are deducted from benefits and support measures.

*(d)* Administration costs

The administration costs of the Act are based on a formula allocating the expenses between the Department of Human Resources and Social Development and the Account. The expense allocation formula takes into consideration the source of funding, from the Account or from the Consolidated Revenue Fund. In addition, the administration costs incurred by the provinces and the territories to administer the labour market development agreements are included in the administration costs for the year based on provisions in the agreements.

*(e)* Advances—Employment benefits and support measures

Advances for employment benefits and support measures are recorded as an asset on the balance sheet and are charged to expenses upon utilization.

*(f)* Asset and liability valuation

Due to the short-term nature, the carrying value of the financial assets and liabilities of the Account approximate their fair value at the end of the year

*(g)* Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for the public sector requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and revenue and expenses during the reporting period. The most significant estimates are related to premiums, administration costs, benefit repayments and allowance for doubtful accounts. Actual results could differ significantly from these estimates.

## Employment Insurance Account—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008—*Continued*

3. Due from claimants

| | 2008 | 2007 |
|---|---|---|
| | (in thousands of dollars) | |
| Benefit overpayments receivable | 508,750 | 481,792 |
| Amount of penalties receivable | 168,466 | 172,741 |
| | 677,216 | 654,533 |
| Less: allowance for doubtful accounts | 378,535 | 356,035 |
| | 298,681 | 298,498 |
| Estimated benefit repayments receivable from higher income claimants | 209,576 | 206,201 |
| | 508,257 | 504,699 |

The Commission detects overpayments on claims processed during the current and preceding years. These overpayments are accounted for by reducing the benefit expenses during the year in which they are established. During the year, overpayments totalling $317 million were established ($295 million in 2006-2007). Interest charges on overpayments totalled $24 million ($26 million in 2006-2007).

The Commission may impose penalties on a claimant or an employer when it becomes aware that information they have provided is false or misleading. The Act sets the maximum amounts that may be imposed in these cases. During the year, the Commission imposed penalties totalling $58 million ($56 million in 2006-2007). Interest charges on penalties totalled $10 million ($13 million in 2006-2007).

During 2007-2008, the Commission recovered $328 million ($305 million in 2006-2007) of benefit overpayments and penalties. Uncollectible benefit overpayments and penalties written off during the year amounted to $59 million ($106 million in 2006-2007).

The Commission establishes an allowance for doubtful accounts by aging the balance of the accounts receivable outstanding and by applying varying percentages based on past recovery experience to the aging categories so determined.

In accordance with Treasury Board regulations, the Account charges interest on outstanding employment insurance and unemployment insurance debts caused through misrepresentation.

4. Amounts receivable

| | 2008 | 2007 |
|---|---|---|
| | (in thousands of dollars) | |
| From Canada | | |
| Administration costs | | 86,192 |
| Amount to be recovered for the social insurance number registry | 7,021 | 3,364 |
| | 7,021 | 89,556 |
| From provinces | | |
| Benefits to be recovered under Quebec Parental Insurance Plan | 345,223 | 345,223 |
| Administration costs to be recovered under Quebec Parental Insurance Plan | 1,421 | 1,421 |
| | 346,644 | 346,644 |
| | 353,665 | 436,200 |

The Canada-Quebec agreement relative to the new Quebec Parental Insurance Plan (QPIP) signed in March 2005 has been implemented on January 1, 2006. During the transition period of the QPIP (January 1 to December 31, 2006), Canada continued to pay active maternity, parental and adoption (MPA) claims whose benefit period started before the implementation of the QPIP or for births or adoptions that took place before the implementation of the QPIP. As per the agreement, Quebec will reimburse Canada for these MPA benefits paid out by Canada to Quebec residents. Therefore, an account receivable from Quebec has been recorded in the financial statements for the benefits paid from January to December 2006. The account receivable has been reduced by the total overpayments established of $2,481,610 for benefits paid during this period.

5. Warrants

All amounts paid as or on account of benefits under the Act are paid by special warrants drawn on the Receiver General and issued by the Commission by electronic means or bearing the printed signature of the Chairperson and Vice-Chairperson of the Commission. The amount of unredeemed warrants reported in the balance sheet, represents the warrants issued that are still outstanding at the end of the fiscal year.

## Employment Insurance Account—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008—*Continued*

6. Amounts Payable

| | 2008 | 2007 |
|---|---|---|
| | (in thousands of dollars) | |
| To Canada | | |
| Administration costs | 52,816 | 159,888 |
| Tax deductions from warrants | 38,836 | 4,972 |
| Recoupments from warrants | 1,436 | 1,486 |
| Amounts payable related to Labour Market Development Agreements | 4,423 | 3,145 |
| | 97,511 | 169,491 |
| To provinces | | |
| Recoupments from warrants | 1,102 | 903 |
| Quebec tax deductions from warrants | 6,113 | 856 |
| Amounts payable related to Labour Market Development Agreements | 35,047 | 11,836 |
| | 42,262 | 13,595 |
| | 139,773 | 183,086 |

7. Premiums

Premiums for the year are measured by the Canada Revenue Agency (CRA) based on amounts assessed and reassessed at the time of preparation of its financial statements and an estimate of premiums earned in the period but not yet assessed or reassessed. The estimate of premiums earned but not yet assessed or reassessed is based on cash amounts received at the time of preparation of the financial statements that relate to the fiscal year.

Actual premiums may differ from these estimates. Actual premium revenue for calendar years 2007 and 2008 will only be known once the CRA has processed all employer declarations of premiums for these years. An adjustment for the difference between actual and estimated premiums will be recorded in the fiscal year in which the actual assessment or reassessment results are known.

Employers with qualified wage loss insurance plans are entitled to premium reductions. They are required to share this reduction with their employees. For the calendar year 2007, the total amount of reductions is estimated at $692 million ($576 million in 2006). Actual reductions for the calendar year 2006 were $658 million ($600 million in 2005). Employees insured under a qualified wage loss insurance plan are entitled to allowances because of illness, injury, pregnancy or child care, depending on the plan. These allowances have the effect of reducing the special benefits payable by the Account to the insured persons.

Pursuant to section 66(1) of the Act, the premium rates are set by the Commission. In setting the rates, the Commission relied on the principle that the premium rate should generate just enough premium revenue to cover the payments, including administration costs, to be made during that year based on forecast values of economic variables provided by the Minister of Finance, and in doing so, took into account the report of the chief actuary to the Commission and any public input.

For the following calendar years, premium rates for each $100 of insurable earnings were:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| | | (in dollars) | |
| Residents of provinces without a Provincial Plan | | | |
| For employees | 1.73 | 1.80 | 1.87 |
| For employers (calculated at 1.4 times the employee rate) | 2.42 | 2.52 | 2.62 |
| Residents of provinces with a Provincial Plan | | | |
| For employees | 1.39 | 1.46 | 1.53 |
| For employers (calculated at 1.4 times the employee rate) | 1.95 | 2.04 | 2.14 |

The annual maximum insurable earnings for 2008 is $41,100 ($40,000 in 2007 and $39,000 in 2006).

8. Interest on the balance of the account with Receiver General for Canada

Pursuant to section 76 of the Act, the Minister of Finance may authorize the payment of interest on the balance in the Account in accordance with such terms and conditions and at such rates as the Minister of Finance may establish. The interest is credited to the Account and charged to the Consolidated Revenue Fund.

The interest on the daily balance of the account with Receiver General for Canada is calculated daily and is credited to the Account. The interest rate on the balance of the account is equal to 90 percent of the monthly average of tender rates for three-month Treasury Bills for the same month. The interest rates varied between 2.23 percent and 4.08 percent during the year (3.54 percent and 3.83 percent in 2006-2007). The rate for March 2008 was 2.23 percent (3.76 percent for March 2007).

9. Estimated overpayments and underpayments of benefits

Given the large number of claimants to be monitored and the need for prompt service, the Commission applies a selective approach of control procedures. Therefore, the verification of claims is mainly done after claimants have begun to receive benefits.

**Employment Insurance Account**—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008—*Concluded*

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefit payouts. For benefits paid during the 12 months ended March 31, 2008, these undetected overpayments and underpayments are estimated to be $515 million and $175 million respectively ($367 million and $294 million for the 12 months ended March 31, 2007). These estimates are used by the Commission to assess the quality of decisions and the need, if any, to improve its systems and practices of processing claims.

The overpayments established during the year, as indicated in Note 3, are not directly linked to the above noted estimated overpayments and underpayments of benefits for the same period.

10. Administration costs

| | 2008 | 2007 |
|---|---|---|
| | (in thousands of dollars) | |
| Administration costs | 1,548,972 | 1,535,944 |
| Add: Administration costs incurred by provinces and territories | 149,705 | 111,074 |
| Less: Recovery of costs for maintaining the social insurance number registry and issuing replacement cards | (9,816) | (10,717) |
| | 1,688,861 | 1,636,301 |

11. Related party transactions

The Account is a component of the Government of Canada reporting entity and is therefore related to all departments, agencies and Crown corporations. The Account enters into transactions with these entities in the normal course of operations at exchange value, under the same terms and conditions that apply to unrelated parties.

Related party transactions not otherwise disclosed in these financial statements include administration costs of $108 million ($104 million in 2006-2007) charged by Public Works and Government Services Canada for accommodation and rental costs, and $160 million ($161 million in 2006-2007) by the Canada Revenue Agency for collecting premiums from employers and employees and other related activities. These costs are charged to the Account based on memoranda of understanding with the Department of Human Resources and Skills Development.

Employment Insurance premiums include the employer's share of premiums paid by the federal government of $319 million ($320 million in 2006-2007).

12. Contingent liabilities

In the normal course of the operations of the Account, numerous appeals against or by the Commission are presently outstanding. The outcome of these appeals is not presently determinable. Any claims resulting from the resolution of these appeals will be accounted for as an expense in the period in which the claim will be determinable. However, in the opinion of management, the result of these appeals should not have a significant impact on the operations of the Account.

Legal proceedings

Two legal proceedings have been filed against Her Majesty the Queen contesting on substantially similar grounds, the constitutional validity of parts of the *Employment Insurance Act*. In particular, certain provisions relating to the setting of premiums and the size of the accumulated surplus in the Account are being challenged. The Government won the case at trial and the appeal filed by two Unions. In April 2007, the Supreme Court of Canada granted the Unions' leave to appeal and a hearing was held on May 13, 2008 - a final decision is not expected before the fall of 2008. In management's opinion, the final outcome of these proceedings cannot be determined at this time. The effect, if any, of the ultimate resolution of this matter will be accounted for in the year that it is known.

13. Subsequent event

The legislation to create the Canada Employment Insurance Financing Board came into force on June 20, 2008. The mandate of the Board is to manage a financial reserve and to set the Employment Insurance premium rate.

The Canada Employment Insurance Financing Board's specific responsibilities are: managing a separate account where any excess premiums from a given year will be held and invested until they are used to reduce premium rates in subsequent years; implementing an improved Employment Insurance premium rate-setting mechanism that will ensure that Employment Insurance revenues and expenditures break even over time and contribute to the relative stability of premium rates by limiting year to year changes in Employment Insurance premiums to 15 cents; and maintaining a $2 billion cash reserve as a contingency fund that will support relative premium rate stability.

As such, the responsibilities of the new Board will pertain only to the financing of the Employment Insurance program. The Government of Canada and the existing Employment Insurance Commission will continue to have full responsibility related to Employment Insurance benefits and program delivery, including eligibility and benefit levels.

## Employment Insurance Account—*Concluded*

SCHEDULE OF BENEFITS AND SUPPORT MEASURES
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| Part I—Income benefits | | |
| Regular | 8,380,859 | 8,445,694 |
| Fishing | 264,994 | 259,867 |
| Worksharing | 14,858 | 8,216 |
| | 8,660,711 | 8,713,777 |
| Special benefits | | |
| Parental | 1,891,136 | 1,742,712 |
| Sickness | 928,069 | 885,340 |
| Maternity | 835,510 | 778,390 |
| Adoption | 22,609 | 20,489 |
| Compassionate care | 9,279 | 8,859 |
| | 3,686,603 | 3,435,790 |
| | 12,347,314 | 12,149,567 |
| Part II—Employment benefits and support measures | | |
| Employment benefits | | |
| Skills development | 263,359 | 398,071 |
| Self-employment | 40,559 | 87,644 |
| Job creation partnerships | 27,069 | 49,250 |
| Targeted wage subsidies | 22,953 | 35,827 |
| | 353,940 | 570,792 |
| Support measures | | |
| Employment assistance | 152,348 | 286,882 |
| Labour market partnerships | 158,262 | 158,402 |
| Research and innovation | 14,539 | 14,804 |
| | 325,149 | 460,088 |
| Transfer payments to provinces and territories | 1,416,924 | 1,056,010 |
| | 2,096,013 | 2,086,890 |
| Benefits and support measures | 14,443,327 | 14,236,457 |
| Less: Benefit repayments received or receivable from higher income claimants | 150,078 | 157,035 |
| | 14,293,249 | 14,079,422 |

### Benefit Rates—Income benefits

From January to December 2007, benefits paid represent the lesser of 55 percent of average insurable earnings or $423 per week ($413 per week in 2006). In January 2008, the maximum payment was increased to $435 per week. The benefit rate can be increased to a maximum of 80 percent of average insurable earnings or $435 per week as of January 1st, 2008 ($423 per week in 2007 and $413 per week in 2006) for claimants who are in a low-income family with children.

# SECTION 5

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

# Accounts Payable and Accrued Liabilities

**CONTENTS**


| | Page |
|---|---|
| Accounts payable and accrued liabilities | 5.3 |
| Tax payables | 5.11 |
| Environmental liabilities | 5.12 |
| Interest and matured debt | 5.13 |
| Allowance for guarantees | 5.14 |

# ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

This section contains information on accounts reported on the Statement of Financial Position under "Accounts Payable and Accrued Liabilities". The establishment and operation of these accounts are authorized by Parliament in annual appropriation acts and other legislation. In many cases, these accounts represent accounts payable, accruals and allowances set up at year end under the authority granted to the President of the Treasury Board under the *Financial Administration Act*.

Table 5.1 presents the year-end balances of accounts payable and accrued liabilities by category. Chart 5A presents accounts payable and accrued liabilities by category at March 31.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

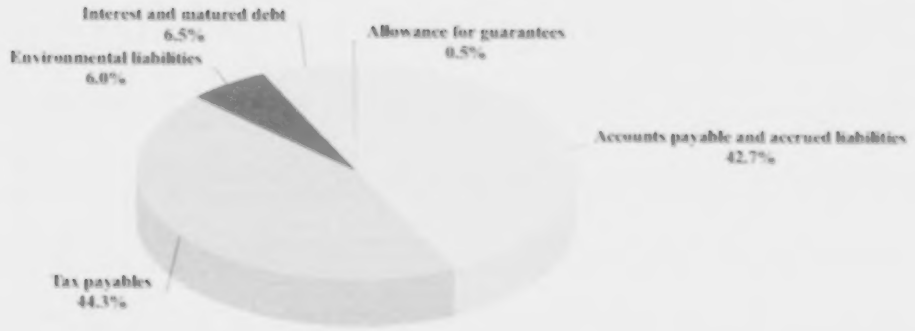
## TABLE 5.1

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | March 31/2008 | March 31/2007 |
|---|---|---|
| | $ | $ |
| Accounts payable and accrued liabilities, Table 5.2 | 47,000,327,079 | 50,729,576,864 |
| Tax payables, Table 5.6 | 49,010,093,492 | 41,387,443,604 |
| Environmental liabilities, Table 5.7 | 6,668,721,493 | 6,061,913,899 |
| Interest and matured debt, Table 5.8 | 7,181,996,544 | 7,516,244,483 |
| Allowance for guarantees, Table 5.9 | 602,108,187 | 815,019,283 |
| Total | 110,463,246,795 | 106,510,198,131 |

## CHART 5A

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES BY CATEGORY AT MARCH 31, 2008



## Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes accounts payable, accrued salaries and benefits, notes payable to international organizations, the provincial and territorial tax collection agreements account, miscellaneous paylist deductions, other accounts and deferred revenues.

Table 5.2 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

**TABLE 5.2**

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | March 31/2008 | March 31/2007 |
|---|---|---|
| | $ | $ |
| Accounts payable | 34,747,847,306 | 37,581,539,403 |
| Add: consolidation adjustment[1] | 1,742,983,000 | 1,844,783,000 |
| | *36,490,830,306* | *39,426,322,403* |
| Accrued salaries and benefits | 2,766,533,168 | 2,373,196,445 |
| Notes payable to international organizations, Table 5.3 | 379,470,510 | 475,633,843 |
| Provincial and territorial tax collection agreements account, Table 5.4 | 5,111,493,968 | 6,422,332,611 |
| Miscellaneous paylist deductions | 319,307,781 | 13,221,072 |
| Other | 330,412,872 | 424,737,992 |
| Deferred revenues, Table 5.5 | 1,602,278,474 | 1,594,132,498 |
| Total | 47,000,327,079 | 50,729,576,864 |

[1] Additional information on the consolidated Crown corporations and other entities is provided in Section 4 of this volume.

### Accounts payable

This account records amounts owing at year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, accrued amounts to be paid from appropriations and statutory authorities, and accrued financial obligations of consolidated Crown corporations and other entities.

### Accrued salaries and benefits

This amount records salaries and wages owing at year end, amounts owing for earned and unpaid annual vacation leave and compensation time, and other accrued amounts relating to unpaid or retro-active salaries.

## Notes payable to international organizations

Share capital subscriptions, loans and advances are made to international organizations using cash and/or notes payable that are later presented for encashment according to terms of agreements. These demand notes are non-interest bearing and are non-negotiable. The subscriptions, loans and advances are recorded as assets and details are reported in Table 9.13 (Section 9 of this volume).

Table 5.3 presents the balances and transactions for the individual notes.

### TABLE 5.3
### NOTES PAYABLE TO INTERNATIONAL ORGANIZATIONS

| | | Receipts and other credits | | Payments and other charges | | |
|---|---|---|---|---|---|---|
| | April 1/2007 | Note issuances | Revaluation[1] | Note encashment | Revaluation[1] | March 31/2008 |
| | $ | $ | $ | $ | $ | $ |
| Finance— | | | | | | |
| European Bank for Reconstruction and Development | 10,096,559 | | | 4,333,843 | 1,274,531 | 4,488,185 |
| International Bank for Reconstruction and Development (World Bank) | 27,690,624 | | | | 3,072,206 | 24,618,418 |
| International Development Association | 318,270,000 | 318,280,000 | | 318,270,000 | | 318,280,000 |
| Multilateral Investment Guarantee Agency | 3,704,107 | | | | 410,961 | 3,293,146 |
| Foreign Affairs and International Trade— | | | | | | |
| Canadian International Development Agency— | | | | | | |
| Caribbean Development Bank | 7,773,822 | | | | 267,729 | 7,506,093 |
| International financial institutions— | | | | | | |
| Asian Development Fund | 19,195,360 | 52,794,285 | | 70,845,978 | | 1,143,667 |
| Caribbean Development Bank—Special | 46,474,825 | 13,585,000 | | 60,059,825 | | |
| Global Environment Facility Trust Fund | 32,960,002 | 36,270,000 | | 49,089,001 | | 20,141,001 |
| Multilateral Investment Fund | 9,468,544 | 6,316,667 | | 15,785,211 | | |
| | *108,098,731* | *108,965,952* | | *195,780,015* | | *21,284,668* |
| Total | 475,633,843 | 427,245,952 | | 518,383,858 | 5,025,427 | 379,470,510 |

[1] Notes denominated in foreign currencies are translated into Canadian dollars at the year-end closing rate of exchange.

### Provincial and territorial tax collection agreements account

This account records both income taxes administered by the Government of Canada on behalf of provinces, territories, and aboriginal governments, pursuant to the *Federal Provincial Fiscal Arrangements Act* and harmonized sales tax, sales tax and goods and services sales tax pursuant to the *Excise Tax Act*, and related payments made to them.

Under the *Federal-Provincial Fiscal Arrangements Act*, the Government of Canada is empowered to enter into agreements with provincial, territorial, and aboriginal governments, to collect income taxes on their behalf, and to make payments to them with respect to such taxes. Furthermore, the Government is empowered to enter into agreements with provincial governments, to collect the harmonized sales tax, and to make payments to them with respect to such tax.

The Government of Canada has entered into agreements with provinces (excluding Quebec) and territories, and with some self-governing First Nations, to collect individual income tax, and, with provinces (excluding Quebec, Ontario and Alberta except for the tax on preferred shares dividend) and territories, to collect corporate income tax, and, to pay in instalments to such provinces and territories, the estimated revenues to be produced by the respective provincial and territorial taxes. The Government has also entered into agreements with the provinces of Nova Scotia, New Brunswick and Newfoundland and Labrador, to collect the harmonized sales tax, and to make payments to them with respect to such tax. Furthermore, the Government has also entered into agreements with some First Nations, to collect sales taxes on motive fuels, tobacco, and alcohol and goods and services sales tax, and to make payments to them with respect to such agreements. This account also reflects amounts related to the Government of Canada's administration of various provincial and territorial programs under Memoranda of Understanding, such as child benefit programs.

Because the *Public Accounts of Canada* reports information on an April to March fiscal year basis and because tax information is calculated on a calendar year basis, there can be transactions related to several tax years during any given fiscal year. For example, during a fiscal year the Minister of Finance makes current payments, based on estimates, for two calendar years (April to December and January to March). During this period, it is also necessary to make payments or adjustments related to final determinations of tax revenues, rebates and credits for previous tax years.

Table 5.4 presents the accumulated balances and the net position of the revenues and the payments made to the provinces and territories for corporate and personal income taxes as well as for harmonized sales tax, sales tax and goods and services sales tax.

**TABLE 5.4**

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Total Personal Income Tax administered by Canada Revenue Agency | 3,392,511,792 | 50,201,523,234 | | 53,594,035,026 |
| Less: payments to provinces and territories | | | | |
| Newfoundland and Labrador | | | 849,656,484 | 849,656,484 |
| Prince Edward Island | | | 238,750,068 | 238,750,068 |
| Nova Scotia | | | 1,823,397,567 | 1,823,397,567 |
| New Brunswick | | | 1,291,814,778 | 1,291,814,778 |
| Ontario | | | 27,760,138,067 | 27,760,138,067 |
| Manitoba | | | 2,163,929,218 | 2,163,929,218 |
| Saskatchewan | | | 1,938,308,497 | 1,938,308,497 |
| Alberta | | | 8,068,765,784 | 8,068,765,784 |
| British Columbia | | | 7,270,992,269 | 7,270,992,269 |
| Yukon | | | 45,666,938 | 45,666,938 |
| Northwest Territories | | | 58,568,646 | 58,568,646 |
| Nunavut | | | 17,889,690 | 17,889,690 |
| First Nations | | | 15,327,423 | 15,327,423 |
| | | | *51,543,205,429* | *51,543,205,429* |
| **Total personal income tax on hand** | **3,392,511,792** | **50,201,523,234** | **51,543,205,429** | **2,050,829,597** |

**TABLE 5.4**

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Total Corporate Income Tax administered by | | | | |
| Canada Revenue Agency | 2,626,344,193 | 4,834,497,402 | | 7,460,841,595 |
| Less: payments to provinces and territories | | | | |
| Newfoundland and Labrador | | | 310,628,675 | 310,628,675 |
| Prince Edward Island | | | 61,326,375 | 61,326,375 |
| Nova Scotia | | | 540,790,891 | 540,790,891 |
| New Brunswick | | | 297,784,763 | 297,784,763 |
| Ontario | | | 111,758,883 | 111,758,883 |
| Quebec | | | 31,821,675 | 31,821,675 |
| Manitoba | | | 363,725,658 | 363,725,658 |
| Saskatchewan | | | 661,309,489 | 661,309,489 |
| Alberta | | | 18,926,545 | 18,926,545 |
| British Columbia | | | 2,265,888,250 | 2,265,888,250 |
| Yukon | | | 11,514,164 | 11,514,164 |
| Northwest Territories | | | 106,017,063 | 106,017,063 |
| Nunavut | | | 4,448,532 | 4,448,532 |
| | | | *4,785,940,963* | *4,785,940,963* |
| **Total corporate income tax on hand** | **2,626,344,193** | **4,834,497,402** | **4,785,940,963** | **2,674,900,632** |
| Total Harmonized Sales Tax administered by | | | | |
| Canada Revenue Agency | 402,493,607 | 2,612,423,499 | | 3,014,917,106 |
| Less: payments to provinces and territories | | | | |
| Newfoundland and Labrador | | | 627,827,946 | 627,827,946 |
| Nova Scotia | | | 1,146,044,534 | 1,146,044,534 |
| New Brunswick | | | 856,501,447 | 856,501,447 |
| | | | *2,630,373,927* | *2,630,373,927* |
| **Total harmonized sales tax on hand** | **402,493,607** | **2,612,423,499** | **2,630,373,927** | **384,543,179** |
| Total First Nations' Sales Tax administered by | | | | |
| Canada Revenue Agency | 612,969 | 8,923,827 | | 9,536,796 |
| Less: payments to First Nations | | | 9,099,646 | 9,099,646 |
| **Total First Nations' Sales Tax on hand** | **612,969** | **8,923,827** | **9,099,646** | **437,150** |
| Total First Nations' Goods and Services Sales Tax administered by | | | | |
| Canada Revenue Agency | 370,051 | 5,818,024 | | 6,188,075 |
| Less: payments to First Nations | | | 5,404,665 | 5,404,665 |
| **Total First Nations' Goods and Services Sales Tax on hand** | **370,051** | **5,818,024** | **5,404,665** | **783,410** |
| Total | 6,422,332,612 | 57,663,185,986 | 58,974,024,630 | 5,111,493,968 |

## Miscellaneous paylist deductions

Deductions from the salaries and wages of certain employees are credited to this account pending transmittal to related outside organizations.

## Other

Miscellaneous accounts payable and accrued liabilities such as provincial sales tax collected on sales are recorded in this account.

## Deferred Revenues

This account records revenues received before the end of the current fiscal year for which the goods or services are to be delivered or rendered in a subsequent fiscal year. It includes licence fees received for which access to the radio spectrum is being provided in subsequent years and also presents separately revenues received which have been recorded in a specified purpose account.

Table 5.5 presents the balances and transactions of deferred revenues.

### TABLE 5.5
DEFERRED REVENUES

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Deferred revenues— | | | | |
| Citizenship and Immigration— | | | | |
| Service fees for immigration and citizenship | 235,045,238 | 320,822,860 | 208,444,171 | 347,423,927 |
| Industry— | | | | |
| Spectrum licence fees and other fees | 1,122,918,296 | 227,265,438 | 394,924,619 | 955,259,115 |
| Public Safety and Emergency Preparedness— | | | | |
| Royal Canadian Mounted Police— | | | | |
| Provincial arrangement on capital assets[1] | 103,336,057 | 6,332,280 | 57,079 | 109,611,258 |
| Other departments[1] | 87,804,844 | 179,126,208 | 125,388,158 | 141,542,894 |
| Total | 1,549,104,435 | 733,546,786 | 728,814,027 | 1,553,837,194 |
| Other deferred revenues—Specified purpose accounts— | | | | |
| Donation and bequest accounts— | | | | |
| Agriculture and Agri-Food— | | | | |
| Shared-cost agreements—Research | 11,911,507 | 8,267,102 | 7,540,887 | 12,637,722 |
| Canadian Heritage— | | | | |
| Library and Archives of Canada— | | | | |
| Special operating account | 456,744 | 410,275 | 420,138 | 446,881 |
| Environment— | | | | |
| Endangered species—Donations | 57,681 | 200,389 | | 258,070 |
| Parks Canada Agency— | | | | |
| Pacific Rim Mitigation Fund | 2,125,000 | | 125,000 | 2,000,000 |
| | *2,182,681* | *200,389* | *125,000* | *2,258,070* |
| Fisheries and Oceans— | | | | |
| Restricted donations | 88,120 | 21,000 | 82,873 | 26,247 |
| Foreign Affairs and International Trade— | | | | |
| Canadian Landmine Action Fund | 772 | | | 772 |
| Governor General— | | | | |
| Donations—Rideau Hall | 24,450 | | | 24,450 |
| Health— | | | | |
| Canadian Institutes of Health Research— | | | | |
| Donations for research | 12,723,266 | 8,516,244 | 9,234,890 | 12,004,620 |
| Human Resources and Skills Development— | | | | |
| Canadian Centre for Occupational Health and Safety— | | | | |
| Donations | 98,177 | | 4,120 | 94,057 |
| Industry— | | | | |
| Prime Minister's Awards and other deposits | 2,318,795 | 1,720,152 | 1,138,902 | 2,900,045 |
| Canadian Space Agency— | | | | |
| RADARSAT-2 | 11,010 | | 1,719 | 9,291 |
| RADARSAT-2—Data satellite | | 701,371 | 252,200 | 449,171 |
| | *11,010* | *701,371* | *253,919* | *458,462* |
| National Research Council of Canada— | | | | |
| Trust fund | 13,093,528 | 16,967,665 | 15,556,422 | 14,504,771 |
| Natural Sciences and Engineering Research Council— | | | | |
| Trust fund | 250 | | | 250 |
| Social Sciences and Humanities Research Council— | | | | |
| Trust fund | 396,722 | 50,000 | 50,000 | 396,722 |
| | *15,820,305* | *19,439,188* | *16,999,243* | *18,260,250* |

**TABLE 5.5**

DEFERRED REVENUES—*Concluded*

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| National Defence— | | | | |
| Corporate sponsorships and donations | 45,520 | 211,000 | 162,517 | 94,00 |
| Public Safety and Emergency Preparedness— | | | | |
| Royal Canadian Mounted Police— | | | | |
| Mounted Police Foundation | | 359,901 | | 359,901 |
| Royal Canadian Mounted Police Pipe Band (NCR) | 9,764 | 1,000 | 510 | 10,254 |
| Sponsorship Agreement—Contributions | 407,003 | 35,000 | 73,442 | 368,561 |
| | *416,767* | *395,901* | *73,952* | *738,716* |
| Total—Donation and bequest accounts | 43,768,309 | 37,461,099 | 34,643,620 | 46,585,788 |
| Endowment interest accounts— | | | | |
| Environment— | | | | |
| Parks Canada Agency— | | | | |
| Laurier House—Interest (Mackenzie King trust account) | | 9,180 | 9,180 | |
| Health— | | | | |
| Canadian Institutes of Health Research— | | | | |
| Endowments for health research | 6,447 | 262 | | 6,709 |
| Industry— | | | | |
| National Research Council of Canada— | | | | |
| H.L. Holmes Fund | | 90,717 | 90,717 | |
| Social Sciences and Humanities Research Council— | | | | |
| Queen's Fellowship Fund | 86,313 | 12,456 | | 98,769 |
| | *86,313* | *103,173* | *90,717* | *98,769* |
| Transport— | | | | |
| Shared-cost agreements—Transportation research and development | 1,166,994 | 7,842,504 | 7,259,484 | 1,750,014 |
| Total—Endowment interest accounts | 1,259,754 | 7,955,119 | 7,359,381 | 1,855,492 |
| Total—Other deferred revenues—Specified purpose accounts | 45,028,063 | 45,416,218 | 42,003,001 | 48,441,280 |
| Total—Deferred revenues | 1,594,132,498 | 778,963,004 | 770,817,028 | 1,602,278,474 |

(1) The responsibility for the Canadian Firearms Centre has been transferred to the Royal Canadian Mounted Police. The current year's opening balances for Other departments and Provincial arrangement on capital assets under Royal Canadian Mounted Police have been adjusted accordingly by $152,751.

### Service fees for immigration and citizenship

This account was established to record fees and rights derived from the *Citizenship Act* and Regulations and the *Immigration and Refugees Protection Act* and Regulations. Fees are deferred until the application is deemed processed, while rights (right of citizenship and right of permanent residence) are deferred until the right is granted.

### Spectrum licence fees and other fees

This account was established to record, *(a)* monies received in advance from Spectrum Auctions, which are recognized as revenues over the period of the licences; *(b)* monies received from Spectrum Licence Fees that are received in the latter part of the fiscal year, but which are applicable to the following fiscal year; and, *(c)* monies received from other sources such as patents and trademarks examination and registration fees, Bankruptcy Trustee Licence Fees and Competition Bureau Pre-Merger Fees, which are recognized as revenue in the subsequent year.

### Provincial arrangement on capital assets

This account was established to record capital assets received by the Royal Canadian Mounted Police pursuant to the provincial arrangement (contracts) on capital assets. The revenue is recognized on the same basis as the amortization of the corresponding capital asset.

### Shared-cost agreements—Research

This account was established to record amounts deposited by external parties for shared-cost projects, and any related future provincial program payments to be made on a province's behalf by Agriculture and Agri-Food Canada as part of a related project. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

### Special operating account

This account was established, pursuant to section 18 of the *Library and Archives of Canada Act*, to record monies received for the purposes of the Library and Archives of Canada, by way of gifts. Amounts required for the purposes of the Act may be paid out of this account, or out of money appropriated by Parliament for such purposes.

### Endangered species—Donations

This account was established to record donations, gifts or bequests received from individuals and organizations to finance various studies related to endangered species.

### Pacific Rim Mitigation Fund

This account was established to record monies received for the protection of lands within the Pacific Rim National Park Reserve of Canada. Monies so received are used to monitor community use impacts, carry out related research and implement required mitigation measures.

### Restricted donations

This account was established to record directed donations to be used for research, development, management and promotion of fisheries and oceans related issues.

### Canadian Landmine Action Fund

This account was established to record monies received from the public to support Canadian Mine Action Programs pursuant to the Ottawa Convention agreement which bans the production, use, stockpiling and export of anti-personnel mines.

### Donations—Rideau Hall

This account was established to record gifts, donations or bequests to Rideau Hall from private organizations and individuals to fund specific initiatives.

### Donations for research—Canadian Institutes of Health Research

This account was established, pursuant to section 29 of the *Canadian Institutes of Health Research Act*, to record donations and contributions received from organizations and individuals for biomedical research.

### Donations—Canadian Centre for Occupational Health and Safety

This account was established pursuant to subsection 6(3) of the *Canadian Centre for Occupational Health and Safety Act*, to record monies, securities or other property received by way of gift, bequest or otherwise, and to disburse such donations at the discretion of the Centre.

### Prime Minister's Awards and other deposits

This account was established to record amounts deposited by external parties to be used in support of the Prime Minister's Awards for teaching excellence and amounts deposited by customers to be used for payments of services provided by Industry Canada.

### RADARSAT-2

This account was established to record funds received for the configuration and layout of relocated MacDonald, Dettwiler and Associates personnel.

### RADARSAT-2—Data satellite

This account was established to record funds received from "MacDonald, Dettwiler and Associates" for the reception, archiving, cataloging and satellite acquisition services.

### Trust fund—National Research Council of Canada

This account was established by the *National Research Council Act* to record funds received from other governments and organizations outside the accounting entity to cover expenses made on their behalf.

### Trust fund—Natural Sciences and Engineering Research Council

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations to cover expenses made on their behalf.

### Trust fund—Social Sciences and Humanities Research Council

This account was established to record funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations for the purpose of special projects.

### Corporate sponsorships and donations

This account was established by the Department of National Defence to administer funds received from various private companies, not for profit corporations, associations, other levels of government, or individuals for the purpose of holding events, conducting operations and constructing capital assets consistent with the Department's mandate but not funded from its appropriations.

### Mounted Police Foundation

This account was established to record funds received from the Mounted Police Foundation which will be used to cover expenses related to community policing, educational, promotional and public relations projects throughout Canada.

### Royal Canadian Mounted Police Pipe Band (NCR)

This account was established to administer sponsorship funds to support the Royal Canadian Mounted Police Pipe Band.

### Sponsorship Agreement—Contributions

This account was established to record funds contributed to the Royal Canadian Mounted Police pursuant to sponsorship agreements for use in community policing programs.

### Laurier House—Interest (Mackenzie King trust account)

The late The Right Hon W. L. Mackenzie King bequeathed Laurier House, Ottawa, and the sum of $225,000, to the Government of Canada. The amount of $225,000 was credited to the account and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

### Endowments for health research

This account was established by section 29 of the *Canadian Institutes of Health Research Act*, to record various endowments received from donors for the purpose of health research. The interest received is used for the payment of research grants.

### H. L. Holmes Fund

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

### Queen's Fellowship Fund

This fund is an endowment of $250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

### Shared-cost agreements—Transportation research and development

This account was established to record, on a temporary basis, *(a)* monies received from cost-sharing agreements intended to strengthen and improve the safety, security and efficiency of the Canadian transportation system; and, *(b)* monies received from private sector and provincial governments to directly support the departmental strategic objectives.

## Tax Payables

Tax payables include amounts payable to taxpayers based on assessments as well as estimates of refunds owing for assessments not completed by year end.

Table 5.6 presents a summary of the balances for the different tax revenue streams.

**TABLE 5.6**

TAX PAYABLES

| | March 31/2008 | March 31/2007 |
|---|---|---|
| | $ | $ |
| Personal and non-resident income tax | 29,778,676,597 | 24,767,691,694 |
| Corporate income tax | 11,406,117,547 | 10,328,520,732 |
| Goods and services tax | 7,768,233,007 | 6,192,111,033 |
| Customs and excise | 57,066,341 | 99,120,145 |
| Total | 49,010,093,492 | 41,387,443,604 |

### Personal and non-resident income tax

This account records tax refunds payable to individual taxpayers as well as amounts payable to employers and other withholders of personal income tax. This account also includes any interest owing on the balances.

### Corporate income tax

This account records tax refunds payable and any interest owing to corporate taxpayers.

### Goods and services tax

This account records refunds, rebates and any interest owing related to the goods and services tax.

### Customs and excise

This account records refunds of customs import duties, excise taxes and duties, energy taxes and any interest owing on the balances.

## Environmental Liabilities

Environmental liabilities include the estimated costs related to the management and remediation of contaminated sites and unexploded explosive ordnance affected sites where the Government is obligated, or likely obligated to incur such costs, as well as the estimated costs to decommission Atomic Energy of Canada Limited's nuclear facilities.

The Government has identified approximately 2,360 contaminated sites and 28 unexploded explosive ordnance affected sites (2,630 contaminated sites and 28 unexploded explosive ordnance affected sites in 2007) for which it is likely obligated to remediate. Continued assessment work will lead to a more accurate cost estimate of the identified sites.

The contingent liabilities associated with the contaminated sites and unexploded explosive ordnance affected sites are disclosed in Section 11 of this volume.

Table 5.7 presents the liability balances of the custodian departments and Crown corporations for contaminated sites and unexploded explosive ordnance affected sites and for nuclear facility decommissioning.

### TABLE 5.7
ENVIRONMENTAL LIABILITIES

| | March 31/2008 | March 31/2007 |
|---|---|---|
| | $ | $ |
| Contaminated sites | | |
| Agricultural and Agri-Food | 1,925,334 | 1,779,574 |
| Canada Border Services Agency | 769,165 | 867,400 |
| Cape Breton Development Corporation | 180,338,000 | 108,857,000 |
| Correctional Service | 14,354,720 | 13,775,571 |
| Environment | 55,520,174 | 63,266,228 |
| Fisheries and Oceans | 223,544,198 | 169,196,803 |
| Health | 2,303,800 | 1,197,100 |
| Indian Affairs and Northern Development | 1,497,136,925 | 1,313,856,272 |
| Industry | 99,657 | 132,281 |
| National Capital Commission | 24,799,000 | 21,794,000 |
| National Defence | 431,514,508 | 378,272,640 |
| National Research Council of Canada | 100,000 | 300,000 |
| Natural Resources | 336,678,572 | 387,792,662 |
| Parks Canada Agency | 42,017,836 | 40,027,640 |
| Public Works and Government Services | 310,523,035 | 320,154,947 |
| Royal Canadian Mounted Police | 4,275,715 | 3,752,607 |
| The Jacques-Cartier and Champlain Bridges Inc. | 1,000,000 | 1,000,000 |
| Transport | 204,327,220 | 186,814,790 |
| VIA Rail Canada Inc. | 1,500,000 | |
| | *3,332,727,858* | *3,014,836,315* |
| Unexploded explosive ordnance affected sites | | |
| National Defence | 327,757,635 | 119,143,584 |
| Atomic Energy of Canada Limited's nuclear facility decommissioning | 3,008,236,000 | 2,927,934,000 |
| Total[1] | 6,668,721,493 | 6,061,913,899 |

(1) During the year, an amount of $307,163,000 ($293,160,000 in 2007) was spent on management, remediation and decommissioning of contaminated sites, on unexploded explosive ordnance affected sites and on nuclear facilities to reduce environmental liabilities previously recorded and on additional remediation costs as became known in the year.

## Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued and matured debt.

Table 5.8 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

**TABLE 5.8**

INTEREST AND MATURED DEBT

| | March 31/2008 | March 31/2007 |
|---|---|---|
| | $ | $ |
| Interest due | 2,690,794,592 | 2,974,153,853 |
| Interest accrued | 4,399,503,152 | 4,433,129,130 |
| Matured debt | 91,698,800 | 108,961,500 |
| Total | 7,181,996,544 | 7,516,244,483 |

### Interest due

Interest due is the interest on the bonded debt, which is due and payable but has not been redeemed by bond holders.

### Interest accrued

Interest accrued is the interest accumulated as at March 31 on the bonded debt and certain other liabilities, that is not payable until a future date.

### Matured debt

This account records financial obligations represented by certificates of indebtedness issued by the Government, that have become due but that have not been presented for redemption. Unclaimed matured bonds are transferred to other revenues if they remain unredeemed 15 years after the date of call or maturity, whichever is earlier; the minimum time before such a transfer is made is 5 years from the date of maturity.

## Allowance for Guarantees

This category of accounts payable and accrued liabilities includes the allowance for loan guarantees and the allowance for borrowings of Crown corporations.

Table 5.9 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

**TABLE 5.9**

ALLOWANCE FOR GUARANTEES

| | March 31/2008 | March 31/2007 |
|---|---|---|
| | $ | $ |
| Allowance for loan guarantees | 375,250,161 | 541,660,959 |
| Allowance for borrowings of Crown corporations | 226,858,026 | 273,358,324 |
| Total | 602,108,187 | 815,019,283 |

### Allowance for loan guarantees

This account records potential losses on loan guarantees when it is likely that a payment will be made in the future to honour a guarantee and when the amount of the loss can be reasonably estimated (see Table 11.5 in Section 11 of this volume).

### Allowance for borrowings of Crown corporations

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government.

Borrowings of non-agent Crown corporations and other government business enterprises may, at times, be guaranteed by the Government.

This account reports the borrowings of agent and non-agent enterprise Crown corporations and other government business enterprises expected to be repaid by the Government (see Table 9.6 in Section 9 of this volume).

# SECTION 6

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

# Interest-Bearing Debt

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| Obligation related to capital leases | 6.12 |
| Pension and other liabilities— | |
| Public sector pensions | 6.17 |
| Other employee and veteran future benefits | 6.30 |
| Other liabilities— | |
| Canada Pension Plan | 6.32 |
| Government Annuities Account | 6.33 |
| Deposit and trust accounts | 6.34 |
| Other specified purpose accounts | 6.40 |
| Supplementary statements— | |
| Canada Pension Plan | 6.52 |
| Government Annuities Account | 6.72 |
| Royal Canadian Mounted Police (Dependants) Pension Fund | 6.77 |

# INTEREST-BEARING DEBT

This section contains information on the interest-bearing debt of the Government. Interest-bearing debt includes the unmatured debt and pension and other accounts.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges.

Table 6.1 presents the transactions and year-end balances of interest-bearing debt. Chart 6A presents interest-bearing debt by category for the current fiscal year.

The financial statements of the Canada Pension Plan, the Government Annuities Account and the Royal Canadian Mounted Police (Dependants) Pension Fund, together with the Auditor General's reports thereon, are presented at the end of this section.

A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

## TABLE 6.1

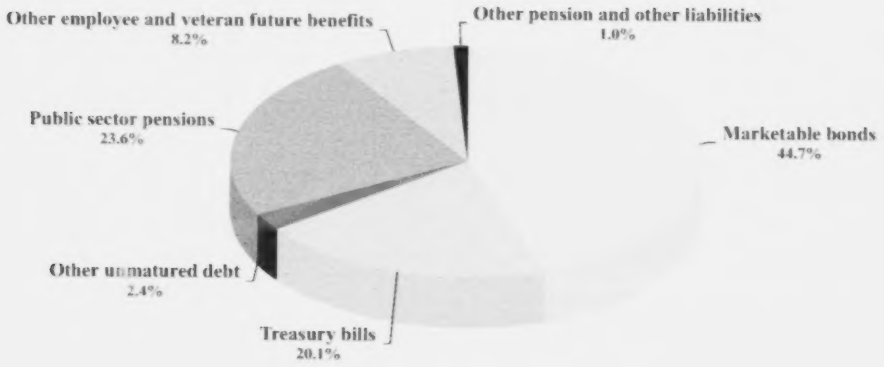
INTEREST-BEARING DEBT

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Unmatured debt[1] | | | | |
| Payable in Canadian currency | | | | |
| Marketable bonds, Table 6.2 | 257,482,107,543 | 52,705,856,625 | 56,638,119,000 | 253,549,845,168 |
| Treasury bills, Table 6.3 | 134,074,235,000 | 287,900,000,000 | 305,038,111,000 | 116,936,124,000 |
| Retail debt, Table 6.4 | 15,175,013,783 | 1,926,962,974 | 4,033,768,780 | 13,068,207,977 |
| Bonds for Canada Pension Plan, Table 6.5 | 1,742,344,000 | | 699,981,000 | 1,042,363,000 |
| | *408,473,700,326* | *342,532,819,599* | *366,409,979,780* | *384,596,540,145* |
| Payable in foreign currencies | | | | |
| Marketable bonds, Table 6.2 | 6,407,198,105 | 187,028,537 | 715,560,504 | 5,878,666,138 |
| Canada bills, Table 6.6 | 1,847,360,000 | 10,808,757,208 | 11,172,614,275 | 1,483,502,933 |
| Canada notes, Table 6.7 | 489,950,000 | 25,050,000 | | 515,000,000 |
| Euro medium-term notes, Table 6.8 | 1,627,700,694 | 78,100,000 | 85,300,694 | 1,620,500,000 |
| | *10,372,208,799* | *11,098,935,745* | *11,973,475,473* | *9,497,669,071* |
| Total – Market debt | 418,845,909,125 | 353,631,755,344 | 378,383,455,253 | 394,094,209,216 |
| Cross-currency swap revaluation account | (1,090,915,070) | | 328,936,411 | (1,419,851,481) |
| Unamortized discounts and premiums on market debt, Table 6.9 | (6,659,407,140) | 6,348,710,828 | 5,902,571,690 | (6,213,268,002) |
| Obligation related to capital leases, Table 6.15 | 3,096,373,436 | 1,222,253,760 | 82,930,322 | 4,235,696,874 |
| Total – Unmatured debt | 414,191,960,351 | 361,202,719,932 | 384,697,893,676 | 390,696,786,607 |
| Pension and other liabilities | | | | |
| Public sector pensions, Table 6.18 | | | | |
| Superannuation accounts | 146,787,478,665 | 15,549,704,480 | 12,192,318,929 | 150,144,864,216 |
| Allowance for pension adjustments | (12,061,000,000) | 626,000,000 | 1,339,000,000 | (12,774,000,000) |
| | *134,726,478,665* | *16,175,704,480* | *13,531,318,929* | *137,370,864,216* |
| Other employee and veteran future benefits, Table 6.31 | 45,123,000,000 | 6,537,000,000 | 3,759,000,000 | 47,901,000,000 |
| Other liabilities | | | | |
| Due to Canada Pension Plan, Table 6.32 | 53,583,710 | 52,116,822,800 | 52,064,014,731 | 106,391,779 |
| Government Annuities Account | 319,295,178 | 20,900,004 | 47,376,477 | 292,818,705 |
| Deposit and trust accounts, Table 6.33 | 1,358,478,722 | 3,715,114,997 | 2,993,054,968 | 2,080,538,751 |
| Other specified purpose accounts, Table 6.36 | 3,479,383,906 | 4,497,971,117 | 4,561,571,902 | 3,415,783,121 |
| | *50,331,741,516* | *66,837,808,918* | *63,425,018,078* | *53,796,532,356* |
| Total – Pension and other liabilities | 185,060,220,181 | 83,063,513,398 | 76,956,337,007 | 191,167,396,572 |
| Total | 599,252,180,532 | 444,266,233,330 | 461,654,230,683 | 581,864,183,179 |

(1) This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.11.

**CHART 6A**

INTEREST-BEARING DEBT BY CATEGORY AT MARCH 31, 2008




## UNMATURED DEBT

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due, cross-currency swap revaluation, unamortized discounts, premiums and commissions on market debt and obligations related to capital leases.

The Government's holdings of its own securities have been deducted from unmatured debt, to report the amount of the Government's liabilities to outside parties.

### Marketable Bonds

Marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- bought and sold on the open market;
- payable in Canadian or foreign currency;
- subject to redemption before maturity;
- fixed dates of maturity;
- interest payable either in coupon or registered form; and,
- face value guaranteed at maturity.

Registered marketable bonds are transferable by endorsement and delivery by one holder to another. Bearer marketable bonds need not be endorsed.

Table 6.2 presents a summary of the balances and transactions for marketable bonds.

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2008.

## TABLE 6.2
## MARKETABLE BONDS

| | April 1/2007 | Receipts and other credits[1] | Payments and other charges[1] | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Payable in Canadian currency— | | | | |
| Matured 2007-2008 | 26,727,607,000 | | 26,727,607,000 | |
| Maturing 2008-2009 | 29,025,270,000 | | 5,562,345,000 | 23,462,925,000 |
| 2009-2010 | 19,881,748,000 | 8,000,000,000 | 1,052,815,000 | 26,828,933,000 |
| 2010-2011 | 17,881,301,000 | 3,700,000,000 | 2,303,176,000 | 19,278,125,000 |
| 2011-2012 | 20,569,285,000 | | 541,226,000 | 20,028,059,000 |
| 2012-2013 | 12,956,853,000 | 4,224,165,000 | | 17,181,018,000 |
| 2013-2014 | 9,888,492,000 | 2,063,624,000 | 158,000,000 | 11,794,116,000 |
| 2014-2015 | 9,838,802,000 | | 60,000,000 | 9,778,802,000 |
| 2015-2016 | 10,783,005,000 | | 61,500,000 | 10,721,505,000 |
| 2016-2017 | 10,300,000,000 | | | 10,300,000,000 |
| 2017-2018 | 5,006,850,000 | 5,335,676,000 | | 10,342,526,000 |
| 2018-2019 | | 5,322,764,000 | | 5,322,764,000 |
| 2020-2021 | 723,611,000 | | 5,250,000 | 718,361,000 |
| 2021-2022 | 7,267,364,029 | 144,102,738 | 18,066,000 | 7,393,400,767 |
| 2022-2023 | 470,448,000 | | 35,000,000 | 435,448,000 |
| 2023-2024 | 6,557,739,000 | | 1,088,764,000 | 5,468,975,000 |
| 2025-2026 | 5,702,024,000 | | 702,024,000 | 5,000,000,000 |
| 2026-2027 | 6,545,220,791 | 138,287,517 | | 6,683,508,308 |
| 2027-2028 | 7,946,306,000 | | 383,471,000 | 7,562,835,000 |
| 2029-2030 | 13,409,090,000 | | 276,935,000 | 13,132,155,000 |
| 2031-2032 | 6,949,470,358 | 146,827,959 | | 7,096,298,317 |
| 2033-2034 | 13,410,295,000 | | | 13,410,295,000 |
| 2036-2037 | 6,219,289,365 | 131,400,716 | | 6,350,690,081 |
| 2037-2038 | 9,849,089,000 | 3,400,000,000 | | 13,249,089,000 |
| 2041-2042 | | 2,261,894,695 | | 2,261,894,695 |
| | 257,909,159,543 | 34,868,742,625 | 38,976,179,000 | 253,801,723,168 |
| Less: Government's holdings— | | | | |
| Government's holdings | | 17,661,940,000 | 17,661,940,000 | |
| Consolidation adjustment[2] | 427,052,000 | 175,174,000 | | 251,878,000 |
| | *427,052,000* | *17,837,114,000* | *17,661,940,000* | *251,878,000* |
| Total marketable bonds payable in Canadian currency | 257,482,107,543 | 52,705,856,625 | 56,638,119,000 | 253,549,845,168 |
| Payable in foreign currencies— | | | | |
| Matured 2007-2008 | 368,317,400 | | 368,317,400 | |
| Maturing 2008-2009 | 6,040,966,390 | 159,727,584 | 320,250,000 | 5,880,443,974 |
| 2009-2010 | 182,305,567 | | 20,226,350 | 162,079,217 |
| 2016-2017 | 38,383,522 | | 4,258,556 | 34,124,966 |
| 2018-2019 | 18,565,968 | | 2,059,848 | 16,506,120 |
| 2019-2020 | 4,041,100 | | 448,350 | 3,592,750 |
| | 6,652,579,947 | 159,727,584 | 715,560,504 | 6,096,747,027 |
| Less: Government's holdings and securities held for the retirement of unmatured debt[3] | 245,381,842 | 27,300,953 | | 218,080,889 |
| Total marketable bonds payable in foreign currencies | 6,407,198,105 | 187,028,537 | 715,560,504 | 5,878,666,138 |
| Total | 263,889,305,648 | 52,892,885,162 | 57,353,679,504 | 259,428,511,306 |

(1) These columns include the translation of marketable bonds payable in foreign currencies to Canadian dollars using the closing rates of exchange at March 31.
(2) Additional information on consolidated Crown corporations and other entities is provided in Section 4 of this volume.
(3) These securities were assumed by the Government of Canada on February 5, 2001 upon the dissolution of Petro-Canada Limited. These are presented as a deduction from the foreign currency unmatured debt since they are held specifically for the repayment of the corresponding liabilities assumed upon the dissolution of the Corporation.

## Treasury Bills

Treasury bills are short-term certificates of indebtedness issued by the Government of Canada to pay sums of money on given dates, and have the following characteristics:

— issued at a discount in lieu of interest payments;

— issued in Canadian currency only;

— issued every 2 weeks;

— common terms: 3 months, 6 months and 12 months;

— transferable; and,

— bought and sold on the open market.

The balance at March 31, 2008 consists of $9,500 million in odd issue bills; $33,500 million in three-month bills; $25,900 million in six-month bills; and, $48,100 million in 364-day bills.

Table 6.3 presents a summary of Treasury bill issues and redemptions.

**TABLE 6.3**

TREASURY BILLS

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Three-month bills | 36,800,000,000 | 123,700,000,000 | 127,000,000,000 | 33,500,000,000 |
| Six-month bills | 28,600,000,000 | 49,900,000,000 | 52,600,000,000 | 25,900,000,000 |
| Other bills | 68,700,000,000 | 114,300,000,000 | 125,400,000,000 | 57,600,000,000 |
| | 134,100,000,000 | 287,900,000,000 | 305,000,000,000 | 117,000,000,000 |
| Less: Government's holdings — Consolidation adjustment[1] | 25,765,000 | | 38,111,000 | 63,876,000 |
| Total | 134,074,235,000 | 287,900,000,000 | 305,038,111,000 | 116,936,124,000 |

(1) Additional information on consolidated Crown corporations and other entities is provided in Section 4 of this volume.

## Retail Debt

Retail debt includes Canada savings, Canada premium and Canada investment bonds which are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- — issued to Canadian residents;
- — issued in Canadian currency only;
- — registered in the name of the holder;
- — fixed dates of maturity;
- — not marketable;
- — not subject to call before maturity;
- — term to maturity of seven years or more;
- — Canada savings bonds are redeemable on demand by the holder, with accrued interest calculated to the end of the previous month (no interest is paid if redeemed during the first 3 months following the date of issue); and,
- — Canada premium bonds are redeemable in full or partially on any annual anniversary of the issue date and during the 30 days thereafter by the holder, with accrued interest if applicable.
- — Canada investment bonds carry a fixed rate for the duration of their terms. All outstanding bonds matured during the year.

Table 6.4 presents a summary of the balances and transactions for Canada savings, Canada premium and Canada investment bonds.

**TABLE 6.4**

RETAIL DEBT

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Canada Savings Bonds | | | | |
| Matured 2007-2008 | 4,663,195 | | 4,663,195 | |
| Maturing 2008-2009 | 1,999,123,972 | | 452,145,207 | 1,546,978,765 |
| 2009-2010 | 264,308,171 | | 30,124,498 | 234,183,673 |
| 2010-2011 | 255,865,978 | | 32,075,523 | 223,790,455 |
| 2011-2012 | 325,907,089 | | 41,696,279 | 284,210,810 |
| 2012-2013 | 397,801,735 | | 57,786,802 | 340,014,933 |
| 2013-2014[1] | 589,624,223 | | 99,736,207 | 489,888,016 |
| 2014-2015[2] | 846,151,616 | | 166,841,560 | 679,310,056 |
| 2015-2016[3] | 1,033,939,425 | | 306,994,350 | 726,945,075 |
| 2016-2017[4] | 1,188,057,427 | 906,396,139 | 929,611,240 | 1,164,842,326 |
| 2017-2018[5] | 1,858,761,658 | 822,954,346 | 929,880,907 | 1,751,835,097 |
| | *8,764,204,489* | *1,729,350,485* | *3,051,555,768* | *7,441,999,206* |
| Canada Premium Bonds | | | | |
| Matured 2007-2008 | 32,138,945 | | 32,138,945 | |
| Maturing 2008-2009 | 967,626,638 | | 118,537,964 | 849,088,674 |
| 2009-2010 | 605,500,608 | | 109,542,825 | 495,957,783 |
| 2010-2011 | 929,552,769 | | 68,259,703 | 861,293,066 |
| 2011-2012 | 636,253,284 | | 86,952,069 | 549,301,215 |
| 2012-2013 | 1,470,550,112 | | 370,011,961 | 1,100,538,151 |
| 2013-2014 | 1,067,608,559 | | 75,348,919 | 992,259,640 |
| 2014-2015 | 290,935,435 | | 31,838,597 | 259,096,838 |
| 2015-2016 | 204,090,391 | | 22,303,660 | 181,786,731 |
| 2016-2017 | 205,385,853 | 157,169 | 26,425,892 | 179,117,130 |
| 2017-2018 | | 197,455,320 | 39,685,777 | 157,769,543 |
| | *6,409,642,594* | *197,612,489* | *981,046,312* | *5,626,208,771* |
| Canada Investment Bonds | | | | |
| Maturing 2007-2008 | 1,166,700 | | 1,166,700 | |
| Total | 15,175,013,783 | 1,926,962,974 | 4,033,768,780 | 13,068,207,977 |

(1) Ten years maturity extension to CSB Series 46 until November 1, 2013.
(2) Ten years maturity extension to CSB Series 47 until November 1, 2014.
(3) Ten years maturity extension to CSB Series 48 until November 1, 2015.
(4) Ten years maturity extension to CSB Series 49 until November 1, 2016.
(5) Ten years maturity extension to CSB Series 50 and 52 until November 1, 2017.

## Bonds for Canada Pension Plan

Bonds for Canada Pension Plan are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan (CPP) Investment Fund and have the following characteristics:

— not negotiable;

— not transferable;

— not assignable;

— issued in Canadian currency only;

— term to maturity of 20 years or less;

— interest payable semi-annually; and,

— redeemable at face value plus accrued interest.

Table 6.5 presents a summary of the balances and transactions for these bonds.

**TABLE 6.5**

BONDS FOR CANADA PENSION PLAN

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Matured 2007-2008 | 699,981,000 | | 699,981,000 | |
| Maturing 2008-2009 | 519,360,000 | | | 519,360,000 |
| 2009-2010 | 71,112,000 | | | 71,112,000 |
| 2010-2011 | 425,010,000 | | | 425,010,000 |
| 2011-2012 | 15,763,000 | | | 15,763,000 |
| 2012-2013 | 11,118,000 | | | 11,118,000 |
| Total | 1,742,344,000 | | 699,981,000 | 1,042,363,000 |

## Canada Bills

Canada bills are short-term certificates of indebtedness issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada bills provide Canada with an additional source of short-term US funds and have the following characteristics:

— issued at a discount in lieu of interest payments;

— term to maturity of not more than 270 days;

— transferable; and,

— bought and sold on the open market.

The year-end balance of Canada bills payable in US dollars was translated into Canadian dollars using the closing rate of exchange at March 31, 2008.

Table 6.6 presents a summary of Canada bill issues and redemptions.

**TABLE 6.6**

CANADA BILLS

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Canada bills before revaluation | 1,845,276,401 | 10,775,055,412 | 11,172,614,275 | 1,447,717,538 |
| Exchange valuation adjustment | 2,083,599 | 33,701,796 | | 35,785,395 |
| Total | 1,847,360,000 | 10,808,757,208 | 11,172,614,275 | 1,483,502,933 |

## Canada Notes

Canada notes are issued by the Government of Canada under the Government's foreign currency borrowing program. Canada notes provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Canada notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 2008.

Table 6.7 presents a summary of the balances and transactions for Canada notes.

**TABLE 6.7**

CANADA NOTES

| | April 1/2007 | Receipts and other credits[1] | Payments and other charges[1] | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Payable in foreign currencies | | | | |
| Maturing 2008-2009 | 489,950,000 | 25,050,000 | | 515,000,000 |
| Total | 489,950,000 | 25,050,000 | | 515,000,000 |

(1) These columns include the translation of Canada notes payable in foreign currencies to Canadian dollars using the closing rates of exchange at March 31.

## Euro Medium-Term Notes

Euro medium-term notes are issued by the Government of Canada in the Euromarkets under the Government's foreign currency borrowing program, and thus provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Euro medium-term notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 2008.

Table 6.8 presents a summary of the balances and transactions for the Euro medium-term notes.

**TABLE 6.8**

EURO MEDIUM-TERM NOTES

| | April 1/2007 | Receipts and other credits[1] | Payments and other charges[1] | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Payable in foreign currencies | | | | |
| Matured 2007-2008 | 85,300,694 | | 85,300,694 | |
| Maturing 2009-2010 | 1,542,400,000 | 78,100,000 | | 1,620,500,000 |
| Total | 1,627,700,694 | 78,100,000 | 85,300,694 | 1,620,500,000 |

(1) These columns include the translation of Euro notes payable in foreign currencies to Canadian dollars using closing rates of exchange at March 31.

## Cross-currency Swap Revaluation Account

This account records the unrealized gains or losses due to fluctuations in the foreign exchange value of the cross-currency swaps.

## Unamortized Discounts and Premiums on Market Debt

The unamortized discounts and premiums on market debt have the following characteristics:

— unamortized discounts on Canada bills records the portion of the discounts on outstanding Canada bills which has not yet been charged to expenses. Discounts are amortized over the life of the bills;

— unamortized discounts on Treasury bills records the portion of the discounts on outstanding Treasury bills which has not yet been charged to expenses. Discounts are amortized over the life of the bills; and,

— unamortized discounts and premiums on marketable bonds records the portion of the discounts and premiums on outstanding marketable bonds which has not yet been charged to expenses. Discounts and premiums are amortized over the life of the bonds.

Table 6.9 presents a summary of the balances and transactions for the unamortized discounts and premiums on market debt.

**TABLE 6.9**

UNAMORTIZED DISCOUNTS AND PREMIUMS ON MARKET DEBT

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Unamortized discounts on Canada Bills | (10,439,761) | 83,003,999 | 77,798,151 | (5,233,913) |
| Unamortized discounts on Treasury Bills | (1,568,139,661) | 4,611,407,569 | 4,237,993,882 | (1,194,725,974) |
| Unamortized discounts and premiums on marketable bonds | (5,080,827,718) | 1,654,299,260 | 1,586,779,657 | (5,013,308,115) |
| Total | (6,659,407,140) | 6,348,710,828 | 5,902,571,690 | (6,213,268,002) |

## Interest Rates

Table 6.10 sets out unmatured debt as at March 31, for each of the years 2003-2004 to 2007-2008 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as marketable bonds, Treasury bills, Canada savings, Canada premium and Canada investment bonds, non-marketable bonds and bonds for the Canada Pension Plan Investment Fund, Canada bills and Foreign currency notes.

**TABLE 6.10**

UNMATURED DEBT AS AT MARCH 31, FROM 2004 TO 2008, WITH THE AVERAGE RATE OF INTEREST THEREON

| | Marketable bonds | | Treasury bills | | Retail debt | | Bonds for Canada Pension Plan | | Canada bills | | Foreign currency notes | | Total market debt | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount outstanding | Average interest rate | Amount outstanding | Average interest rate | Amount outstanding | Average interest rate | Amount outstanding | Average interest rate | Amount outstanding | Average interest rate | Amount outstanding | Average interest rate | Amount outstanding | Average interest rate |
| | $(millions) | % | $(millions) | % | $(millions) | % | $(millions) | % | $(millions) | % | $(millions) | % | $(millions) | % |
| 2008 | 259,429 | 5.08 | 116,936 | 3.60 | 13,068 | 3.50 | 1,042 | 10.62 | 1,483 | 2.59 | 2,136 | 3.87 | 394,094 | 4.61 |
| 2007 | 263,889 | 5.23 | 134,074 | 4.20 | 15,175 | 3.54 | 1,743 | 10.37 | 1,847 | 5.11 | 2,118 | 3.92 | 418,846 | 4.86 |
| 2006 | 268,487 | 5.26 | 131,597 | 3.52 | 17,342 | 3.84 | 3,102 | 10.02 | 4,734 | 4.63 | 1,998 | 3.85 | 427,260 | 4.73 |
| 2005 | 275,437 | 5.62 | 127,199 | 2.62 | 19,080 | 2.85 | 3,393 | 9.99 | 3,862 | 2.63 | 2,785 | 3.14 | 431,756 | 4.61 |
| 2004 | 290,677 | 5.96 | 113,378 | 2.52 | 21,330 | 3.37 | 3,427 | 9.96 | 3,364 | 0.92 | 4,281 | 2.37 | 436,457 | 4.90 |

Note: The interest rate in effect at March 31 is used where various rates of interest are applicable.

Table 6.11 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 2003-2004 to 2007-2008 inclusively.

**TABLE 6.11**

TREASURY BILLS AVERAGE YIELDS AT TENDER

| Year ended March 31 | High % | Low % | Last issue % |
|---|---|---|---|
| Three-month bills— | | | |
| 2008 | 4.61 | 2.03 | 2.03 |
| 2007 | 4.30 | 3.90 | 4.17 |
| 2006 | 3.79 | 2.25 | 3.79 |
| 2005 | 2.70 | 1.93 | 2.55 |
| 2004 | 3.24 | 1.99 | 1.99 |
| Six-month bills— | | | |
| 2008 | 4.70 | 2.29 | 2.29 |
| 2007 | 4.44 | 4.00 | 4.19 |
| 2006 | 3.89 | 2.55 | 3.89 |
| 2005 | 2.83 | 1.98 | 2.56 |
| 2004 | 3.36 | 1.98 | 1.98 |
| Other bills— | | | |
| 2008 | 4.47 | 2.20 | 3.06 |
| 2007 | 4.55 | 3.80 | 4.27 |
| 2006 | 4.01 | 2.43 | 3.99 |
| 2005 | 3.05 | 1.98 | 3.04 |
| 2004 | 3.62 | 2.01 | 2.01 |

## Maturity of Government Debt

Table 6.12 presents total unmatured debt arranged in order of maturity.

**TABLE 6.12**

MATURITY OF GOVERNMENT DEBT

| | Marketable bonds | | Treasury bills | | Retail debt | | Bonds for Canada Pension Plan | | Canada bills | | Foreign currency notes | | Total market debt | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | Average interest rate | Amount | Average interest rate | Amount | Average interest rate | Amount | Average interest rate | Amount | Average interest rate | Amount | Average interest rate | Amount | Average interest rate |
| | $(millions) | % | $(millions) | % | $(millions) | % | $(millions) | % | $(millions) | % | $(millions) | % | $(millions) | % |
| 2009 | 29,343 | 5.27 | 117,000 | 3.60 | 2,396 | 3.25 | 519 | 10.2 | 1,483 | 2.59 | 515 | 1.90 | 151,256 | 3.92 |
| 2010 | 26,991 | 4.73 | | | 730 | 10.68 | 71 | 9.98 | | | 1,621 | 4.50 | 29,413 | 4.88 |
| 2011 | 19,278 | 5.14 | | | 1,085 | 2.16 | 425 | 11.29 | | | | | 20,788 | 5.11 |
| 2012 | 20,028 | 5.03 | | | 833 | 6.11 | 16 | 9.92 | | | | | 20,877 | 5.07 |
| 2013 | 17,181 | 4.65 | | | 1,441 | 1.89 | 11 | 9.37 | | | | | 18,633 | 4.44 |
| 2014/18 | 52,971 | 4.63 | | | 6,583 | 3.82 | | | | | | | 59,554 | 4.54 |
| 2019/23 | 13,890 | 4.91 | | | | | | | | | | | 13,890 | 4.91 |
| 2024/28 | 24,716 | 7.19 | | | | | | | | | | | 24,716 | 7.19 |
| 2029/33 | 20,228 | 5.14 | | | | | | | | | | | 20,228 | 5.14 |
| 2034/38 | 33,010 | 4.92 | | | | | | | | | | | 33,010 | 4.92 |
| 2039/43 | 2,263 | 2.00 | | | | | | | | | | | 2,263 | 2.00 |
| | 259,899 | 5.09 | 117,000 | 3.60 | 13,068 | 3.50 | 1,042 | 10.62 | 1,483 | 2.59 | 2,136 | 3.87 | 394,628 | 4.61 |
| Less: Government's holdings | 470 | 8.55 | 64 | 3.60 | | | | | | | | | 534 | 7.96 |
| Total | 259,429 | 5.08 | 116,936 | 3.60 | 13,068 | 3.50 | 1,042 | 10.62 | 1,483 | 2.59 | 2,136 | 3.87 | 394,094 | 4.61 |

Note: This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.13.

## Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.13 presents information on the Government's borrowing transactions. Included in this table are: borrowings by the Government for general purposes, and borrowings by agent enterprise Crown corporations. Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not included because such borrowings are not on behalf of Her Majesty.

**TABLE 6.13**

STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY
(in millions of dollars)

| | April 1/2007 | Issues/ Borrowings | Retirements | March 31/2008 |
|---|---|---|---|---|
| Market debt of the Government of Canada [1] | 418,846 | 353,632 | 378,384 | 394,094 |
| Cross-currency swap revaluation account | (1,091) | | 329 | (1,420) |
| Unamortized discounts and premiums on market debt [1] | (6,659) | 6,349 | 5,903 | (6,213) |
| Obligation related to capital leases [1] | 3,096 | 1,223 | 83 | 4,236 |
| | *414,192* | *361,204* | *384,699* | *390,697* |
| Borrowings of enterprise Crown corporations designated as agents of Her Majesty [2] | 141,782 | 117,222 | 87,961 | 171,043 |
| Total | 555,974 | 478,426 | 472,660 | 561,740 |

(1) Details can be found in this section.
(2) Details can be found in Section 9 (Table 9.6) of this volume.

## Structure of interest-bearing debt

Table 6.14 presents the proportion of interest-bearing debt having fixed rates (debt that does not mature or need to be re-priced within a year).

**TABLE 6.14**

STRUCTURE OF INTEREST-BEARING DEBT

| | March 31/2008 | | March 31/2007 [1] | |
|---|---|---|---|---|
| | Total | Portion of total of which interest is fixed [2] | Total | Portion of total of which interest is fixed [2] |
| | $millions | % | $millions | % |
| Unmatured debt | | | | |
| Market debt | | | | |
| Marketable bonds | | | | |
| Nominal | 224,445 | 89.9 | 231,375 | 88.4 |
| Real return | 29,357 | 50.0 | 26,534 | 50.0 |
| Treasury bills | 117,000 | | 134,100 | |
| Retail debt | 13,068 | 20.0 | 15,175 | 20.0 |
| Bonds for Canada Pension Plan | 1,042 | 95.0 | 1,743 | 95.0 |
| Payable in Canadian currency | 384,912 | 57.2 | 408,927 | 54.4 |
| Payable in foreign currencies | 9,716 | 17.1 | 10,617 | 60.9 |
| Less: Government's holdings | | | | |
| Consolidation adjustment | (534) | 50.0 | (698) | 50.0 |
| Total – Market debt [3] | 394,094 | 56.2 | 418,846 | 54.6 |
| Cross-currency swap revaluation account | (1,470) | | (1,991) | |
| Unamortized discounts and premiums on market debt | (6,213) | | (6,659) | |
| Obligation related to capital leases | 4,216 | 100.0 | 3,996 | 100.0 |
| Total – Unmatured debt | 390,697 | 56.7 | 414,192 | 54.9 |
| Pension and other liabilities | | | | |
| Public sector pensions | 137,371 | 97.0 | 134,726 | 97.0 |
| Other employee and veteran future benefits | 47,901 | | 45,123 | |
| Other liabilities | 5,895 | 10.0 | 5,211 | 10.0 |
| Total – Pension and other liabilities | 191,167 | 70.0 | 185,060 | 70.9 |
| Total – Interest-bearing debt [4] | 581,864 | 62.6 | 599,252 | 60.8 |

(1) Certain comparative figures have been restated to reflect the current year's presentation.
(2) Interest-bearing debt having fixed rates (debt that does not mature or need to be re-priced within a year).
(3) As of March 31, the weighted average term to maturity of market debt was 6.9 years in 2008 and 6.5 years in 2007.
As of March 31, the modified duration of market debt was 5.4 in 2008 and 6.6 in 2007.
(4) The fixed rate share of the debt is adjusted by excluding components of the debt that are matched with financial assets of the same term and therefore do not represent an exposure to interest rate risk. The federal liabilities netted out from the fixed-rate share calculation include liabilities funding the assets in the Exchange Fund Account; debt securities matched with corresponding loans to Crown corporation; Government of Canada debt securities held by the Bank of Canada; and the debt offset by Receiver General cash and deposit balances.

| | (in millions of dollars) 2008 | 2007 |
|---|---|---|
| Outstanding swap agreements as of March 31 ($ millions CAD): | | |
| Cross currency swaps | | |
| Fixed to fixed | 23,847 | 20,791 |
| Fixed to floating | 7,582 | 9,872 |
| Floating to fixed | | |
| Floating to floating | 51 | 58 |
| FX swaps | | 2,425 |
| Total cross currency swaps | 31,480 | 33,036 |
| Interest rate swaps | 1,232 | 1,435 |
| Total outstanding swap agreements | 32,722 | 34,471 |

## Obligation related to capital leases

A capital lease is a lease that transfers substantially all the benefits and risks inherent in ownership of the asset to the lessee. The net obligation related to capital leases represents the present values of the remaining minimum lease payments under the capital lease arrangements.

Table 6.15 presents the obligation related to capital lease agreements by asset type.

**TABLE 6.15**

OBLIGATION RELATED TO CAPITAL LEASES

| | April 1/2007 | New capital leases and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Land | 10,236,144 | | 409,512 | 9,826,632 |
| Buildings | 1,718,028,566 | 1,219,909,257 | | 2,937,937,823 |
| Works and infrastructure | 668,565,313 | | 14,736,374 | 653,828,939 |
| Machinery and equipment | 19,292,809 | 2,344,503 | 963,467 | 20,673,845 |
| Vehicles | 680,250,604 | | 66,820,969 | 613,429,635 |
| Total | 3,096,373,436 | 1,222,253,760 | 82,930,322 | 4,235,696,874 |

## Capital Leases

Table 6.16 provides details of obligation under capital lease arrangements.

**TABLE 6.16**

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES
(in thousands of dollars)

| | | | | Balances at March 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Inception date | Lease term in years | Implicit interest rate (%) [1] | Total estimated remaining minimum lease payments | Less: imputed interest using the implicit interest rate | Net obligations under capital lease arrangements |
| Canada Revenue Agency | | | | | | |
| IBM-Computer hardware | Jan /2006 | 3 | 3.86 | 215 | 2 | 213 |
| IBM-Computer hardware | Jan /2006 | 3 | 3.86 | 215 | 2 | 213 |
| IBM-Computer hardware | March 2007 | 2 | 4.09 | 165 | 2 | 163 |
| IBM-Computer hardware | March 2007 | 2 | 4.09 | 165 | 2 | 163 |
| IBM-Computer hardware | Sept /2007 | 1 | 6.55 | 1,429 | 23 | 1,406 |
| IBM-Computer hardware | Sept /2007 | 1 | 6.55 | 1,429 | 23 | 1,406 |
| IBM-Computer hardware | Feb /2008 | 1 | 4.42 | 1,824 | 22 | 1,802 |
| | | | | *5,442* | *76* | *5,366* |
| Environment | | | | | | |
| Carleton University, Ottawa | May 2002 | 25 | 5.63 | 24,700 | 9,766 | 14,934 |
| National Defence | | | | | | |
| Defence Enterprise Server Centre | | | | | | |
| Business Class | Dec /2006 | 3 | 8.05 | 569 | 78 | 491 |
| Enterprise Class | Dec /2006 | 3 | 7.87 | 3,893 | 490 | 3,403 |
| Edmonton Armoury North | Dec /2000 | 20 | 5.62 | 17,886 | 5,117 | 12,769 |
| Edmonton Armoury South | May 2001 | 20 | 6.09 | 26,785 | 8,669 | 18,116 |
| Mills Air (NFTC) | Oct /2003 | 17 | 5.87 | 89,985 | 26,852 | 63,133 |
| HMCS Chicoutimi | Oct /2004 | 6 | 0.00 | 27,000 | | 27,000 |
| IBM System Z990 Server PMO MASES | Jan /2008 | 4 | 7.45 | 2,778 | 395 | 2,383 |
| Longue Pointe Supply Depot | Nov /1994 | 35 | 5.29 | 60,836 | 24,594 | 36,242 |
| Mills Air (NFTC) | Dec /1999 | 20 | 5.78 | 723,425 | 200,158 | 523,267 |
| Shawinigan Armoury | May 1999 | 20 | 5.46 | 6,200 | 1,560 | 4,640 |
| | | | | *959,357* | *267,913* | *691,444* |
| Public Works and Government Services | | | | | | |
| 1 Arctic Road, Inuvik | March 2008 | 10 | 10.73 | 1,717 | 667 | 1,050 |
| 1150 Morrison Drive, Ottawa | April 2003 | 10 | 6.12 | 944 | 133 | 811 |
| 135 Hunter Street East, Hamilton | June 2003 | 10 | 5.66 | 2,219 | 299 | 1,920 |
| 1431 Merivale Road, Ottawa | Oct 2007 | 10 | 8.22 | 4,989 | 1,534 | 3,455 |
| 1484 Centennial Drive, Kingston | Oct 2006 | 10 | 18.24 | 4,641 | 2,277 | 2,364 |
| 1600 Star Top, Gloucester | July 2004 | 15 | 7.15 | 34,416 | 10,821 | 23,595 |
| 1620 Dickson Avenue, Kelowna | April 2006 | 10 | 4.38 | 2,798 | 441 | 2,357 |
| 18 Corporation Drive, Brampton | April 2004 | 9 | 4.37 | 2,280 | 235 | 2,045 |
| 181 Queen Street, Ottawa | March 2004 | 20 | 10.65 | 57,136 | 30,312 | 26,824 |
| 22 De Varennes, Gatineau | Nov 2007 | 10 | 10.97 | 5,941 | 2,275 | 3,666 |

**TABLE 6.16**

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Continued*
(in thousands of dollars)

| | | | | Balances at March 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Inception date | Lease term in years | Implicit interest rate (%) [1] | Total estimated remaining minimum lease payments | Less: imputed interest using the implicit interest rate | Net obligations under capital lease arrangements |
| 220 Fortin Street, Quebec | Dec 2007 | 10 | 15.65 | 2,282 | 1,109 | 1,173 |
| 2204 Walkley Road, Ottawa | Sept 2004 | 5 | 11.72 | 1,637 | 135 | 1,502 |
| 255 Albert Street, Ottawa | Oct 2007 | 10 | 4.52 | 6,104 | 1,149 | 4,955 |
| 269 Laurier Avenue, Ottawa | Sept 2005 | 15 | 4.18 | 72,539 | 16,025 | 56,514 |
| 275 De Baets Street, Winnipeg | Feb 2007 | 10 | 17.42 | 2,470 | 1,214 | 1,256 |
| 280 St-Dominique, Quebec | Dec 2003 | 5 | 4.17 | 175 | 3 | 172 |
| 285 Coventry Road, Ottawa | April 2002 | 10 | 6.10 | 8,023 | 919 | 7,104 |
| 2920 Highway 4, Antigonish | Feb 2006 | 10 | 7.76 | 1,283 | 324 | 959 |
| 295 Belliveau Avenue, Shediac | Jan 2007 | 15 | 7.93 | 5,319 | 2,095 | 3,224 |
| 325 Broadway Avenue, Winnipeg | Jan 2008 | 10 | 10.37 | 13,568 | 5,052 | 8,516 |
| 365 Hargrave Street, Winnipeg | July 2003 | 10 | 4.65 | 2,649 | 302 | 2,347 |
| 400 City Hall Square Est, Windsor | Jan 2006 | 10 | 9.89 | 5,358 | 1,626 | 3,732 |
| 400 Cooper Street, Ottawa | April 2002 | 7 | 6.80 | 603 | 21 | 582 |
| 4455 12th Avenue, Shawinigan-Sud | Sept 2003 | 10 | 8.85 | 2,269 | 471 | 1,798 |
| 50 King Street, Moncton | June 2002 | 10 | 6.40 | 1,054 | 131 | 923 |
| 50 Queen Street North, Kitchener | Nov 2006 | 7 | 7.81 | 3,796 | 727 | 3,069 |
| 520 Exmouth Street, Sarnia | Dec 2006 | 10 | 4.08 | 4,121 | 719 | 3,402 |
| 55 Bay Street, Hamilton | July 2003 | 15 | 12.99 | 81,019 | 36,347 | 44,672 |
| 550 Boulevard de la Cité, Gatineau | Dec 2003 | 15 | 9.78 | 41,643 | 15,843 | 25,800 |
| 555 McAllister Drive, Saint John | Nov 2007 | 10 | 8.16 | 5,834 | 1,854 | 3,980 |
| 65 John Savage Avenue, Dartmouth | Oct 2004 | 10 | 5.93 | 2,713 | 466 | 2,247 |
| 6900 Airport Road, Mississauga | Oct 2005 | 5 | 21.49 | 2,588 | 621 | 1,967 |
| 8 Colonnade, Ottawa | May 2007 | 10 | 5.91 | 2,644 | 602 | 2,042 |
| 985 Mcgill Place, Kamloops | June 2002 | 15 | 13.50 | 2,813 | 1,204 | 1,609 |
| Archives St-Augustin de Desmaures, Montreal | Oct 1999 | 15 | 14.61 | 6,853 | 2,444 | 4,409 |
| Bank of Canada, Ottawa | Sept 2002 | 10 | 6.00 | 7,110 | 878 | 6,232 |
| Bell Tower, Edmonton | Jan 2004 | 10 | 18.61 | 3,736 | 1,452 | 2,284 |
| Bellanca Building, Yellowknife | March 2007 | 5 | 4.14 | 5,444 | 426 | 5,018 |
| Boyd Warehouse, Complex No 2, Ottawa | April 2002 | 10 | 14.98 | 1,742 | 437 | 1,305 |
| C. D. Howe Building, Ottawa | Sept 1977 | 35 | 9.19 | 26,942 | 4,864 | 22,078 |
| Canada Building & Entreprise Building, Ottawa | April 2004 | 9 | 5.94 | 36,174 | 4,944 | 31,230 |
| Canada Building, Ottawa | April 2007 | 10 | 4.27 | 6,498 | 1,111 | 5,387 |
| Canada Place Building, Edmonton | Oct 2007 | 25 | 4.44 | 447,000 | 186,000 | 261,000 |
| Canada Post Place, Ottawa | Dec 2004 | 15 | 4.91 | 35,810 | 8,590 | 27,220 |
| Carling Square, Tower I, Ottawa | Oct 2007 | 10 | 11.76 | 7,886 | 3,150 | 4,736 |
| Carling Square, Tower II, Ottawa | Dec 2007 | 10 | 7.83 | 13,012 | 3,906 | 9,106 |
| Centennial Towers, Ottawa | Dec 2003 | 10 | 6.70 | 61,257 | 10,471 | 50,786 |
| Colonnade Warehouse, Nepean | April 2007 | 10 | 7.80 | 1,850 | 524 | 1,326 |
| Commerce Tower, Sidney | Dec 2004 | 7 | 4.21 | 871 | 65 | 806 |
| Corneston E Systems, Ottawa | Sept 2006 | 5 | 6.25 | 2,116 | 223 | 1,893 |
| Federal Court, Montreal | Feb 1994 | 20 | 21.53 | 9,979 | 4,322 | 5,657 |
| Fontaine Building, Gatineau | Jan 2008 | 15 | 5.82 | 48,867 | 16,128 | 32,739 |
| Glencoe Building, Mount Pearl | Dec 2007 | 10 | 10.74 | 3,800 | 1,442 | 2,358 |
| Government of Canada Building, Cornwall | Dec 2004 | 15 | 6.07 | 9,231 | 2,629 | 6,602 |
| Guy Favreau Complex, Montreal | Jan 2004 | 15 | 5.84 | 103,266 | 32,663 | 70,603 |
| Hamilton Centre, Regina | June 2002 | 10 | 15.88 | 3,405 | 926 | 2,479 |
| Harry Hays Building, Calgary | Oct 2007 | 25 | 4.44 | 438,000 | 182,000 | 256,000 |
| Heritage Court, Moncton | July 2002 | 10 | 11.36 | 3,037 | 637 | 2,400 |
| Historic Properties, Halifax | Jan 2006 | 10 | 8.18 | 3,172 | 828 | 2,344 |
| I.C.O.A., Montreal | Nov 1996 | 20 | 9.94 | 119,207 | 44,921 | 74,286 |
| IBM PEI, Summerside | Sept 2006 | 3 | 8.39 | 720 | 53 | 667 |
| Jean Edmonds Tower North, Ottawa | Jan 2005 | 10 | 4.53 | 61,215 | 8,558 | 52,657 |
| Joseph Shepard Building, Toronto | Oct 2007 | 25 | 4.44 | 304,000 | 127,000 | 177,000 |
| Judicial Complex, Toronto | April 2006 | 20 | 11.40 | 100,879 | 61,582 | 39,297 |
| Judy Lamarsh, Chatham (GOCB) | June 1995 | 25 | 8.70 | 5,700 | 2,191 | 3,509 |
| Killeany Place Complex, Ottawa | Aug 2002 | 7 | 5.05 | 864 | 30 | 834 |
| Labelle, Ottawa | April 2002 | 10 | 5.59 | 4,020 | 425 | 3,595 |
| Les Galeries Laurentides, Saint-Jerome | June 2007 | 10 | 15.13 | 2,257 | 1,040 | 1,217 |
| L'Esplanade Laurier, Ottawa | Oct 2000 | 10 | 6.90 | 29,821 | 3,482 | 26,339 |
| Library Square (Block 56), Vancouver | May 1995 | 25 | 9.68 | 80,559 | 33,164 | 47,395 |

**TABLE 6.16**

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Concluded*
(in thousands of dollars)

| | Inception date | Lease term in years | Implicit interest rate (%) [1] | Balances at March 31, 2008 | | |
|---|---|---|---|---|---|---|
| | | | | Total estimated remaining minimum lease payments | Less: imputed interest using the implicit interest rate | Net obligations under capital lease arrangements |
| Louis St-Laurent, Gatineau | Nov 2001 | 15 | 6.38 | 67,179 | 17,972 | 49,207 |
| Maritime Centre, Halifax | Oct 2006 | 10 | 10.41 | 1,757 | 594 | 1,163 |
| McArthur, Ottawa | Sept 2002 | 10 | 7.91 | 1,903 | 302 | 1,601 |
| Megasys Phase II, Calgary | Feb 2008 | 10 | 4.79 | 8,576 | 1,747 | 6,829 |
| Mercury Centre, Ottawa | Jan 2007 | 25 | 4.50 | 154,404 | 59,688 | 94,716 |
| Metropolitan Place, Dartmouth | April 2002 | 8 | 13.30 | 1,231 | 155 | 1,076 |
| Midwest Surveys Building, Calgary | April 2007 | 10 | 17.88 | 6,009 | 3,031 | 2,978 |
| Narono Building, Ottawa | Feb 2008 | 10 | 6.54 | 4,388 | 1,189 | 3,199 |
| Pickering Building Towers A & B, Ottawa | Dec 2006 | 5 | 18.34 | 5,151 | 1,421 | 3,730 |
| Place Bell Canada, Ottawa | May 2003 | 15 | 10.88 | 9,523 | 3,755 | 5,768 |
| Place Bonaventure, Montreal | May 2005 | 10 | 16.43 | 6,238 | 2,565 | 3,673 |
| Place Montcalm, Phase III, Gatineau | Dec 2003 | 15 | 8.65 | 43,408 | 15,122 | 28,286 |
| Place Vincent Massey, Gatineau | Aug 2001 | 10 | 6.21 | 7,343 | 725 | 6,618 |
| Place Wellington, Sherbrooke | Feb 2005 | 8 | 6.30 | 1,383 | 194 | 1,189 |
| Purdy's Wharf Tower II, Halifax | Oct 2003 | 8 | 4.48 | 2,082 | 158 | 1,924 |
| Queensway Corporate Campus, Phase II, Ottawa | April 2002 | 9 | 16.90 | 2,750 | 605 | 2,145 |
| RCMP Building, Montreal | Oct 2007 | 25 | 4.44 | 75,681 | 31,642 | 44,039 |
| Revenu Canada, Montreal | Oct 2007 | 25 | 4.44 | 154,637 | 64,411 | 90,226 |
| Rosdev de Ville, Gatineau | June 2007 | 10 | 4.58 | 33,894 | 6,258 | 27,636 |
| Royal Bank Building, Toronto | May 2002 | 10 | 12.50 | 21,390 | 4,704 | 16,686 |
| Sir Wilfrid Laurier, Ottawa | March 2001 | 10 | 10.37 | 11,034 | 1,547 | 9,487 |
| Skyline Complex, Ottawa | Oct 2007 | 25 | 4.44 | 341,573 | 142,468 | 199,105 |
| Smith's Home Plaza, St-John's | July 2004 | 5 | 4.39 | 604 | 17 | 587 |
| Terrasses de la Chaudière, Gatineau | Jan 1993 | 20 | 9.95 | 133,803 | 39,245 | 94,558 |
| The Baker Center Building, Edmonton | Dec 2007 | 10 | 4.45 | 1,770 | 334 | 1,436 |
| The Inuksugait Plaza, Iqaluit | Oct 2006 | 10 | 14.28 | 1,867 | 789 | 1,078 |
| The New Two Seventy Building, Ottawa | June 2007 | 10 | 4.58 | 10,469 | 1,958 | 8,511 |
| The Standard Life Centre, Hamilton | Dec 2007 | 5 | 11.15 | 3,358 | 749 | 2,609 |
| Thomas D'Arcy McGee, Ottawa | Oct 2007 | 25 | 4.44 | 267,163 | 111,133 | 156,030 |
| Tour Iberville IV, Sainte-Foy | April 2005 | 10 | 4.68 | 1,239 | 184 | 1,055 |
| Truscо Building, Ottawa | Sept 2006 | 20 | 4.28 | 127,930 | 39,522 | 88,408 |
| Urbandale Building, Ottawa | June 2002 | 10 | 4.40 | 2,203 | 194 | 2,009 |
| VAC Records Management Centre, Charlottetown | Nov 2007 | 15 | 13.43 | 4,810 | 2,704 | 2,106 |
| Vanguard Building, Ottawa | Nov 2007 | 10 | 4.80 | 4,562 | 911 | 3,651 |
| Waldron Building, Yellowknife | Aug 2007 | 10 | 12.22 | 2,373 | 961 | 1,412 |
| Willet building, Ottawa | Oct 2001 | 7 | 5.10 | 1,173 | 17 | 1,156 |
| Other contracts less than $1,000,000 | | | | 57,245 | 20,378 | 36,867 |
| | | | | *3,967,988* | *1,470,808* | *2,497,180* |
| Transport | | | | | | |
| Confederation Bridge | May 1997 | 35 | 6.16 | 1,544,937 | 891,108 | 653,829 |
| Other departments— | | | | | | |
| Leases less than $1,000,000 | | | | 6,731 | 554 | 6,177 |
| | | | | 6,509,155 | 2,640,225 | 3,868,930 |
| Consolidated Crown corporations and other entities | | | | | | |
| Canadian Broadcasting Corporation | | | | | | |
| Canadian Broadcasting Centre, Toronto, ON | Oct /1988 | 30 | 7.53 | 644,256 | 309,305 | 334,951 |
| Canadian Museum of Nature | | | | | | |
| Natural Heritage Building, Gatineau, QC | Sept /1996 | 35 | 10.00 | 82,250 | 50,453 | 31,797 |
| Sustainable Development Technology Canada | | | | | | |
| Ricoh Colour Copier | Sept /2006 | 5 | 9.53 | 16 | 2 | 14 |
| Ricoh Black and White Copier | Nov /2004 | 5 | 8.01 | 6 | 1 | 5 |
| | | | | 726,528 | 359,761 | 366,767 |
| Total | | | | 7,235,683 | 2,999,986 | 4,235,697 |

(1) Lessors' Lessees' financing rate lease agreement is subject to change over term of lease.

## Maturity of obligation related to capital leases

Table 6.17 presents upcoming minimum leases payments for the next five years by ministry.

**TABLE 6.17**

MATURITY OF OBLIGATION RELATED TO CAPITAL LEASES
(in thousands of dollars)

| | Payments due in | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequent years | Total |
| Canada Revenue Agency | | | | | | | |
| Remaining payments | 5,442 | | | | | | 5,442 |
| Imputed interest | 76 | | | | | | 76 |
| | 5,366 | | | | | | 5,366 |
| Environment | | | | | | | |
| Remaining payments | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 | 18,200 | 24,700 |
| Imputed interest | 841 | 815 | 788 | 759 | 728 | 5,835 | 9,766 |
| | *459* | *485* | *512* | *541* | *572* | *12,365* | *14,934* |
| National Defence | | | | | | | |
| Remaining payments | 94,779 | 91,387 | 77,356 | 77,507 | 77,041 | 541,287 | 959,357 |
| Imputed interest | 37,758 | 35,454 | 32,663 | 30,063 | 27,249 | 104,726 | 267,913 |
| | *57,021* | *55,933* | *44,693* | *47,444* | *49,792* | *436,561* | *691,444* |
| Public Works and Government Services | | | | | | | |
| Remaining payments | 277,213 | 273,295 | 282,817 | 254,524 | 237,496 | 2,642,644 | 3,967,989 |
| Imputed interest | 152,313 | 140,924 | 129,869 | 119,680 | 109,176 | 918,847 | 1,470,809 |
| | *124,900* | *132,371* | *152,948* | *134,844* | *128,320* | *1,823,797* | *2,497,180* |
| Transport | | | | | | | |
| Remaining payments | 56,066 | 54,158 | 54,976 | 55,807 | 56,650 | 1,267,279 | 1,544,936 |
| Imputed interest | 40,659 | 38,049 | 38,134 | 38,198 | 38,240 | 697,827 | 891,107 |
| | *15,407* | *16,109* | *16,842* | *17,609* | *18,410* | *569,452* | *653,829* |
| Other departments | | | | | | | |
| Leases less than $1,000,000 | | | | | | | |
| Remaining payments | 2,682 | 2,180 | 1,136 | 534 | 199 | | 6,731 |
| Imputed interest | 282 | 153 | 77 | 35 | 7 | | 554 |
| | *2,400* | *2,027* | *1,059* | *499* | *192* | | *6,177* |
| | 205,553 | 206,925 | 216,054 | 200,937 | 197,286 | 2,842,175 | 3,868,930 |
| Consolidated Crown corporations and other entities | | | | | | | |
| Canadian Broadcasting Corporation | | | | | | | |
| Remaining payments | 33,039 | 33,039 | 33,039 | 33,039 | 33,039 | 479,061 | 644,256 |
| Imputed interest | 25,075 | 24,464 | 23,806 | 23,098 | 22,335 | 190,527 | 309,305 |
| | *7,964* | *8,575* | *9,233* | *9,941* | *10,704* | *288,534* | *334,951* |
| Canadian Museum of Nature | | | | | | | |
| Remaining payments | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 64,750 | 82,250 |
| Imputed interest | 3,175 | 3,141 | 3,104 | 3,062 | 3,017 | 34,954 | 50,453 |
| | *325* | *359* | *396* | *438* | *483* | *29,796* | *31,797* |
| Sustainable Development Technology Canada | | | | | | | |
| Remaining payments | 8 | 7 | 4 | 3 | | | 22 |
| Imputed interest | 1 | 1 | 1 | | | | 3 |
| | *7* | *6* | *3* | *3* | | | *19* |
| | 8,296 | 8,940 | 9,632 | 10,382 | 11,187 | 318,330 | 366,767 |
| Total | 213,849 | 215,865 | 225,686 | 211,319 | 208,473 | 3,160,505 | 4,235,697 |
| Summary | | | | | | | |
| Remaining payments | 474,029 | 458,866 | 454,128 | 426,214 | 409,225 | 5,013,221 | 7,235,683 |
| Imputed interest | 260,180 | 243,001 | 228,442 | 214,895 | 200,752 | 1,852,716 | 2,999,986 |
| Net obligation | 213,849 | 215,865 | 225,686 | 211,319 | 208,473 | 3,160,505 | 4,235,697 |

## PENSION AND OTHER LIABILITIES

Pension and other liabilities include general liabilities established under the authority of section 64 of the *Financial Administration Act*, as well as specified purpose accounts opened under the authority of section 21 of the *Financial Administration Act* or of other specific legislation. Specified purpose accounts are an accounting classification used to record transactions and expenditures in respect of money payable out of the Consolidated Revenue Fund under statutory authorities, pursuant to legislation, trusts, treaties, undertakings or contracts. Legislation relating to some of these accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

### Public Sector Pensions

The liability for public sector pensions represents the Government's obligations for the major pension plans it sponsors. It is recorded through superannuation accounts, which are generally established pursuant to legislation, and through adjustment allowance accounts. The allowance accounts are used to record: the accumulated amortization of any shortfall or excess between the liability for public sector pensions determined on an actuarial basis for accounting purposes and the balances of the superannuation accounts, the accumulated differential between interest credited to the superannuation accounts and interest based on the actuarial obligations, and any other accounting adjustment required under the Government accounting policies.

The Government sponsors defined benefit pension plans covering substantially all its employees, principally members of the Public Service, the Canadian Forces, including the Reserve Force and the Royal Canadian Mounted Police. It also has obligations for several other pension plans; the two most significant ones being for Members of Parliament and federally appointed judges.

The legislation provides that all pension obligations arising from these plans be met. Prior to April 1, 2000, separate market invested funds were not maintained. Since April 1, 2000, the net amount of contributions less benefits and payments related to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans, and since March 1, 2007 for the Reserve Force Pension Plan, are transferred to the Public Sector Pension Investment Board (PSP Investments) for investment in capital markets. The goal of PSP Investments is to achieve maximum rates of return on investments without undue risk, while respecting the requirements and financial obligations of each of the public sector pension plans.

Additional information on the above mentioned plans can be found in the annual reports of the administration of the plans that are tabled in Parliament.

*i. Pension plans*

*Public Service Pension Plan, Canadian Forces Pension Plan including the Reserve Force Pension Plan and Royal Canadian Mounted Police Pension Plan*

Under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, basic pensions for the major employees' plans are generally based on the best five consecutive years' average earnings and accrue at 2 percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. Basic pension benefits are coordinated with benefits under the Canada/Quebec pension plans. Pension benefits are indexed annually on January 1 to the cost of living.

During the year, amendments were made to the Public Service Pension Plan that have affected the current year expense and benefit liabilities. In May 2007 amendments were made to the *Public Service Superannuation Regulations* to align certain benefits available to operational service employees at Correctional Service Canada (CSC) with similar benefits available under the Royal Canadian Mounted Police Pension Plan and to reduce the contribution rate payable by CSC operational service employees. Amendments were also made in December 2007 to the *Public Service Superannuation Regulations* to allow individuals reaching the age of 69 in 2007 and subsequent years to accrue pensionable service to the end of the calendar year in which these individuals reach age 71.

These amendments resulted in a one-time estimated past service cost of $9 million for the Public Service Pension Plan. This one-time impact is recorded to the future benefit expense and to the year-end accrued benefit obligation.

In 2007, amendments made to the pension plans resulted in a one-time estimated past service cost of $1,347 million for the Public Service Pension Plan, $503 million for the Canadian Forces Pension Plan, $161 million for the Royal Canadian Mounted Police Pension Plan and $127 million for the Reserve Force Pension Plan. These amendments further resulted in the accelerated recognition to expense of net unamortized gains of $48 million in the Public Service Pension Plan, $335 million in the Canadian Forces Pension Plan and $135 million in the Royal Canadian Mounted Police Pension Plan.

In 2007-2008, plan members contributions were 4.6 percent (4.3 percent in 2007) for the first nine months and 4.9 percent (4.6 percent in 2007) for the last three months on salary up to the Yearly Maximum Pensionable Earnings (YMPE) for the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) purposes and 8.1 percent (7.8 percent in 2007) for the first nine months and 8.4 percent (8.1 percent in 2007) for the last three months on salaries above the YMPE.

Employer contributions are made monthly to provide for the cost (net of employee contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. For the three main plans, for fiscal year 2007-2008, the employer contribution rates averaged about 2.1, 3.0 and 2.4 (2.2, 3.1 and 2.5 respectively in 2007) times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

Since April 1, 2000, new contributions made to these pension plans both by plan members and by the Government as the employer are credited to Pension Funds. The net amount of these contributions less benefits and payments related to post March 2000 service is invested in capital markets by PSP Investments. PSP Investments reports the results of its investments in an annual report tabled in Parliament.

The superannuation accounts, which continue to record the transactions that pertain to pre-April 2000 service, are credited with interest at rates that are based on the Government of Canada long-term bond rate. The average interest rate credited to the accounts was about 7.3 percent in 2008 and 7.5 percent in 2007. The Pension Fund accounts, which record the transactions that pertain to service since April 1, 2000, are only flow through accounts used to transfer funds to PSP Investments, and as such they do not earn interest. The balance in these accounts at year-end corresponds to money that was in transit or pending transfer to PSP Investments.

To reflect the *Income Tax Act* restrictions on the benefits payable from registered pension plans, pension legislation contains a number of provisions to allow various federal service superannuation plans to adapt to the tax restrictions. These include Retirement Compensation Arrangements Accounts established under the *Special Retirement Arrangements Act* (SRAA), to record transactions for those pension benefits above the limits, or not permitted under the *Income Tax Act*.

*Members of Parliament retiring allowances*

Members of Parliament are eligible at age 55 to receive a basic pension upon termination of membership and after having contributed to the plan for at least six years. The basic allowance is based on the best five year average sessional indemnity and accrues at a rate of 3 percent of those average indemnities for both Members of the House of Commons and for Senators. Basic allowances are indexed annually (on January 1st) to the cost of living once recipients reach age 60.

Members' contributions for these benefits are now 7 percent for Members of the House of Commons and for Senators. The Government contributions are made monthly to provide for the cost (net of Members' contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The Government contributions expressed as a multiple of Members' contributions, are on average as follows:

| | 2008 | 2007 |
|---|---|---|
| Members of Parliament | | |
| House of Commons | | |
| Retiring allowances account | 3.50 | 3.45 |
| Retirement compensation arrangements | 6.91 | 6.69 |
| The Senate | | |
| Retiring allowances account | 3.41 | 3.17 |
| Retirement compensation arrangements | 4.76 | 4.37 |

Contributions are credited to the appropriate pension accounts. The accounts earn interest at a rate of 2.5 percent per quarter.

*Pension plan for federally appointed judges*

This plan provides fully indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan does not have an explicit accrual rate for benefits. Instead, the full benefit amount is generally payable when the member has completed 15 years of pensionable service and the total of the member's age and years of service totals 80.

Judges appointed to the bench before February 17, 1975 make required contributions of 1.5 percent of salary. All other judges contribute 7 percent of salary. Legislation does not require a specific pension account to be maintained to record the transactions pertaining to this plan. Therefore, except for the portion recorded in the Supplementary Retirement Benefit Account, the liability pertaining to this plan is recorded mostly through an allowance account. During the year, benefits are recorded as expenditures against the statutory payment authority. The expense is adjusted at year-end through an allowance account, to bring the current year expense from an expenditure to an accrual accounting basis, similar to that of the other pension plans. During the year, the benefit payments charged to the expenditure authority amounted to $91 million ($85 million in 2007). At March 31, 2008, the portion of the pension liability recorded through an allowance account for the judges pension plan amounted to $1,572 million ($1,479 million in 2007).

*ii. Actuarial valuations*

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed triennially for funding purposes on the five major pension plans using the projected benefit method pro-rated on services.

The most recent review date for the actuarial valuation of each pension plan is as follows:

Public Service—March 31, 2005;

Canadian Forces—March 31, 2005;

Royal Canadian Mounted Police—March 31, 2005;

Members of Parliament—March 31, 2007;

Federally appointed judges—March 31, 2007.

Actuarial valuations for the Retirement Compensation Arrangements (RCA) related to the Public Service, Canadian Forces, Royal Canadian Mounted Police and Members of Parliament pension plans were done as part of the valuation of the related plan.

In accordance with the legislation governing the major pension plans, the President of the Treasury Board has the authority to direct that any actuarial deficiency found be credited to the appropriate account or fund in equal installments over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. During the year, credit adjustments of $22 million and $9.5 million ($22 million and $9.5 million in 2007) were made to the Canadian Forces Pension Fund and the Retirement Compensation Arrangements Account No. 2 respectively as a result of their last actuarial valuation.

A comparable provision gives authority to deal with excesses in the superannuation accounts by debiting the appropriate account over a period of up to fifteen years. Any future surpluses identified in the Pension Funds may be dealt with by a reduction of Government and/or plan member contributions, or by withdrawing amounts from the Fund. As a result of the last actuarial valuations, no debit adjustment was made during the year (nil in 2007).

Table 6.18 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the pension accounts consist of contributions from plan members, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments, refunds of refundable tax and interest. Payments and other charges for the pension accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, pension division payments, transfer value payments, transfers to other plans, remittances of refundable tax, payment of administrative expenses, debits resulting from triennial actuarial reviews, and transfers to PSP Investments. Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes, between the interest based on the actuarial obligations and interest credited to the pension accounts, and from any other accounting adjustment required under the Government accounting policies.

## TABLE 6.18

## PUBLIC SECTOR PENSIONS

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Public Service Superannuation Account, Table 6.20 | 89,277,977,242 | 6,447,786,546 | 4,446,824,838 | 91,278,938,950 |
| Allowance for pension adjustments | (9,805,000,000) | 176,000,000 | 625,000,000 | (10,254,000,000) |
| | *79,472,977,242* | *6,623,786,546* | *5,071,824,838* | *81,024,938,950* |
| Public Service Pension Fund Account, Table 6.21 | 139,893,664 | 3,459,168,337 | 3,465,677,026 | 133,384,975 |
| Allowance for pension adjustments | 332,000,000 | 7,000,000 | 145,000,000 | 194,000,000 |
| | *471,893,664* | *3,466,168,337* | *3,610,677,026* | *327,384,975* |
| Canadian Forces Superannuation Account, Table 6.22 | 43,287,165,776 | 3,095,376,423 | 2,229,888,599 | 44,152,653,600 |
| Allowance for pension adjustments | (4,651,000,000) | 105,000,000 | 327,000,000 | (4,873,000,000) |
| | *38,636,165,776* | *3,200,376,423* | *2,556,888,599* | *39,279,653,600* |
| Canadian Forces Pension Fund Account, Table 6.23 | 63,594,113 | 968,293,437 | 960,194,219 | 71,693,331 |
| Allowance for pension adjustments | 319,000,000 | 44,000,000 | 22,000,000 | 341,000,000 |
| | *382,594,113* | *1,012,293,437* | *982,194,219* | *412,693,331* |
| Reserve Force Pension Fund Account, Table 6.24 | 3,276,291 | 66,256,923 | 60,314,074 | 9,219,140 |
| Allowance for pension adjustments | 127,000,000 | 52,000,000 | | 179,000,000 |
| | *130,276,291* | *118,256,923* | *60,314,074* | *188,219,140* |
| Royal Canadian Mounted Police Superannuation Account, Table 6.25 | 11,640,608,898 | 835,698,791 | 487,128,020 | 11,989,179,669 |
| Allowance for pension adjustments | (1,200,000,000) | 4,000,000 | 95,000,000 | (1,291,000,000) |
| | *10,440,608,898* | *839,698,791* | *582,128,020* | *10,698,179,669* |
| Royal Canadian Mounted Police Pension Fund Account, Table 6.26 | 11,140,358 | 315,992,335 | 315,945,738 | 11,186,955 |
| Allowance for pension adjustments | 32,000,000 | 6,000,000 | | 38,000,000 |
| | *43,140,358* | *321,992,335* | *315,945,738* | *49,186,955* |
| Members of Parliament Retiring Allowances Account, Table 6.27 | 486,657,601 | 57,231,562 | 20,790,863 | 523,098,300 |
| Allowance for pension adjustments | (121,000,000) | 4,000,000 | 24,000,000 | (141,000,000) |
| | *365,657,601* | *61,231,562* | *44,790,863* | *382,098,300* |
| Members of Parliament Retirement Compensation Arrangements Account, Table 6.28 | 155,082,974 | 35,560,993 | 24,644,180 | 165,999,787 |
| Allowance for pension adjustments | 132,000,000 | 25,000,000 | 6,000,000 | 151,000,000 |
| | *287,082,974* | *60,560,993* | *30,644,180* | *316,999,787* |
| Retirement Compensation Arrangements (RCA) Account, Table 6.29 | 1,592,833,434 | 257,492,648 | 180,892,271 | 1,669,433,811 |
| Allowance for pension adjustments | 1,295,000,000 | 94,000,000 | 79,000,000 | 1,310,000,000 |
| | *2,887,833,434* | *351,492,648* | *259,892,271* | *2,979,433,811* |
| Supplementary Retirement Benefits Account (Judges), Table 6.30 | 128,794,082 | 10,789,490 | | 139,583,572 |
| Allowance for pension adjustments | 1,479,000,000 | 109,000,000 | 16,000,000 | 1,572,000,000 |
| | *1,607,794,082* | *119,789,490* | *16,000,000* | *1,711,583,572* |
| Supplementary Retirement Benefits Account (Others), Table 6.30 | 454,232 | 56,995 | 19,101 | 492,126 |
| Total | 134,726,478,665 | 16,175,704,480 | 13,531,318,929 | 137,370,864,216 |
| SUMMARY | | | | |
| Superannuation accounts | 146,787,478,665 | 15,549,704,480 | 12,192,318,929 | 150,144,864,216 |
| Allowance for pension adjustments | (12,061,000,000) | 626,000,000 | 1,339,000,000 | (12,774,000,000) |
| Total | 134,726,478,665 | 16,175,704,480 | 13,531,318,929 | 137,370,864,216 |

Table 6.19 presents a summary of transactions in public sector pensions that resulted in charges to expenses. Interest is based on the actuarial obligations under the various plans. The pension interest expenses represent the interest credited to the superannuation accounts in accordance with the pension legislation, shown net of a provision of $1,144 million ($587 million in 2007) and of $2,034 million ($1,659 million in 2007) in expected return on pension plan assets.

## TABLE 6.19

### SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENSES
(in millions of dollars)

| | 2007-2008 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Government contributions | Statutory payments | Current service cost adjustments | Net current service costs | Funding of actuarial liability adjustment | Pension Plan amendment costs | Amortization of estimation adjustments | Net pension expenses | Net pension interest expenses | Total | 2006-2007 |
| Public Service Superannuation Account[1] | 30 | | (70) | (40) | | 6 | 170 | 136 | 5,821 | 5,957 | 6,517 |
| Public Service Pension Fund Account | 2,124 | | (106) | 2,018 | | 7 | (35) | 1,990 | (6) | 1,984 | 2,241 |
| Canadian Forces Superannuation Account | 2 | | (5) | (3) | | | 105 | 102 | 2,766 | 2,868 | 2,522 |
| Canadian Forces Pension Fund Account | 709 | | 10 | 719 | 22 | | 10 | 751 | 25 | 776 | 884 |
| Reserve Force Pension Fund Account | 50 | | 43 | 93 | | | | 93 | 9 | 102 | 131 |
| Defence Services Pension Continuation Act | | 7 | | 7 | | | | 7 | | 7 | 8 |
| Royal Canadian Mounted Police Superannuation Account | 1 | | (2) | (1) | | | 4 | 3 | 741 | 744 | 597 |
| Royal Canadian Mounted Police Pension Fund Account | 221 | | 4 | 225 | | | 1 | 226 | 1 | 227 | 242 |
| Royal Canadian Mounted Police Continuation Act | | 20 | | 20 | | | | 20 | | 20 | 20 |
| Members of Parliament Retiring Allowances Account | 6 | | | 6 | | | 4 | 10 | 26 | 36 | 34 |
| Members of Parliament Retirement Compensation Arrangements Account | 16 | | | 16 | | | 7 | 23 | 11 | 34 | 33 |
| Retirement Compensation Arrangements (RCA) Account | 104 | | (23) | 81 | 9 | (4) | (12) | 74 | 103 | 177 | 143 |
| Supplementary Retirement Benefits Account | 3 | | | 3 | | | | 3 | | 3 | 3 |
| Judges Act | | 91 | (16) | 75 | | | 15 | 90 | 99 | 189 | 182 |
| Other (diplomatic services, lieutenant governors, etc.) | | 2 | | 2 | | | | 2 | | 2 | 2 |
| Subtotal | 3,266 | 120 | (165) | 3,221 | 31 | 9 | 269 | 3,530 | 9,596 | 13,126 | 13,559 |
| Less: costs already recorded in the allowance for pension adjustments of previous years | | | | | (31) | | | (31) | | (31) | (31) |
| Less: contributions from the Judges plan recorded to revenues | | (12) | | (12) | | | | (12) | | (12) | (13) |
| Total | 3,266 | 108 | (165) | 3,209 | | 9 | 269 | 3,487 | 9,596 | 13,083 | 13,515 |

(1) Includes payments under *Supplementary Retirement Benefits Act* and various acts.

### Public Service Superannuation Account

This account, established by the *Public Service Superannuation Act*, is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Public Service members up to March 31, 2000.

### Public Service Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under the *Public Service Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Service Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

**TABLE 6.20**

PUBLIC SERVICE SUPERANNUATION ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 89,277,977,242 | 86,978,373,295 |
| RECEIPTS AND OTHER CREDITS | | |
| Contributions | | |
| Government employees | 8,954,994 | 10,711,265 |
| Retired employees | 29,375,459 | 31,788,902 |
| Public Service corporations employees | 672,733 | 849,776 |
| Employer contributions | | |
| Government | 30,290,329 | 33,455,826 |
| Public Service corporations | 474,820 | 618,097 |
| Transfers from other pension funds | 1,736,497 | 208,412 |
| Interest | 6,376,281,714 | 6,421,850,492 |
| | 6,447,786,546 | 6,499,482,770 |
| | 95,725,763,788 | 93,477,856,065 |
| PAYMENTS AND OTHER CHARGES | | |
| Annuities | 4,184,464,826 | 3,996,120,467 |
| Minimum benefits | 13,039,650 | 10,474,192 |
| Pension division payments | 32,786,630 | 32,186,395 |
| Pension transfer value payments | 56,836,072 | 60,819,591 |
| Returns of contributions | | |
| Government employees | 184,245 | 192,155 |
| Public Service corporation employees | 45,161 | 17,860 |
| Transfers to other pension funds | 89,574,514 | 43,418,342 |
| Administrative expenses | 69,893,740 | 56,649,821 |
| Actuarial liability adjustment | | |
| | 4,446,824,838 | 4,199,878,823 |
| Closing balance | 91,278,938,950 | 89,277,977,242 |

**TABLE 6.21**

PUBLIC SERVICE PENSION FUND ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 139,893,664 | 141,250,581 |
| RECEIPTS AND OTHER CREDITS | | |
| Contributions | | |
| Government employees | 991,171,937 | 926,614,593 |
| Retired employees | 18,895,096 | 14,907,593 |
| Public Service corporations employees | 91,962,742 | 78,391,530 |
| Employer contributions | | |
| Government | 2,123,699,672 | 2,020,276,871 |
| Public Service corporations | 187,998,219 | 166,837,423 |
| Actuarial liability adjustment | | |
| Transfers from other pension funds | 45,440,671 | 47,256,085 |
| | 3,459,168,337 | 3,254,284,095 |
| PAYMENTS AND OTHER CHARGES | | |
| Annuities | 238,069,481 | 158,793,473 |
| Minimum benefits | 5,038,314 | 3,468,773 |
| Pension division payments | 6,982,751 | 4,965,827 |
| Pension transfer value payments | 85,456,182 | 77,563,031 |
| Returns of contributions | | |
| Government employees | 6,606,191 | 6,879,694 |
| Public Service corporation employees | 2,024,351 | 1,943,365 |
| Transfers to other pension funds | 44,822,166 | 17,091,114 |
| Administrative expenses | 19,143,222 | 13,064,456 |
| | 408,142,658 | 283,769,733 |
| Receipts and other credits less payments and other charges | 3,051,025,679 | 2,970,514,362 |
| Transfers to Pension Investment Board | 3,057,534,368 | 2,971,871,279 |
| Closing balance | 133,384,975 | 139,893,664 |

## Canadian Forces Superannuation Account

This account, established by the *Canadian Forces Superannuation Act*, is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Canadian Forces members up to March 31, 2000.

### TABLE 6.22

### CANADIAN FORCES SUPERANNUATION ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 43,287,165,776 | 42,362,772,313 |
| RECEIPTS AND OTHER CREDITS | | |
| Contributions from personnel | 3,624,146 | 3,722,714 |
| Contributions by the Government | 1,730,625 | 5,620,237 |
| Interest | 3,087,517,087 | 3,124,174,805 |
| Other | 2,504,565 | 2,779,242 |
| | 3,095,376,423 | 3,136,296,998 |
| | 46,382,542,199 | 45,499,069,311 |
| PAYMENTS AND OTHER CHARGES | | |
| Pensions and retiring allowance payments | 2,173,342,039 | 2,148,630,831 |
| Pension division payments | 39,527,451 | 47,232,714 |
| Cash termination allowances and returns of contributions | 1,198,042 | 3,488,980 |
| Transfers to Public Service Superannuation Account | 365,695 | 461,297 |
| Administrative expenses | 10,090,649 | 12,089,713 |
| Pension transfer value payments | 5,364,723 | |
| Actuarial liability adjustment | | |
| | 2,229,888,599 | 2,211,903,535 |
| Closing balance | 44,152,653,600 | 43,287,165,776 |

## Canadian Forces Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under Part 1 of the *Canadian Forces Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Sector Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

### TABLE 6.23

### CANADIAN FORCES PENSION FUND ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 63,594,113 | 30,872,904 |
| RECEIPTS AND OTHER CREDITS | | |
| Contributions from personnel | 237,099,827 | 210,395,313 |
| Contributions by the Government | 709,395,690 | 623,201,368 |
| Transfers from other pension funds | 97,920 | 261,852 |
| Actuarial liability adjustment | 21,700,000 | 21,700,000 |
| | 968,293,437 | 855,558,533 |
| PAYMENTS AND OTHER CHARGES | | |
| Pensions and retiring allowance payments | 87,518,118 | 61,091,583 |
| Pension division payments | 8,744,080 | 7,213,801 |
| Cash termination allowances and returns of contributions | 10,031,747 | 13,844,689 |
| Transfers to Public Service Superannuation Account | 251,890 | 189,812 |
| Administrative expenses | 2,037,535 | 1,951,766 |
| Pension transfer value payments | 9,883,021 | |
| | 118,466,391 | 84,291,651 |
| Receipts and other credits less payments and other charges | 849,827,046 | 771,266,882 |
| Transfers to Pension Investment Board | 841,727,828 | 738,545,673 |
| Closing balance | 71,693,331 | 63,594,113 |

### Reserve Force Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after March 1, 2007 in accordance with Part 1.1 of the *Canadian Forces Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Sector Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

**TABLE 6.24**

RESERVE FORCE PENSION FUND ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 3,276,291 | |
| RECEIPTS AND OTHER CREDITS | | |
| Contributions from personnel | 16,549,889 | 1,187,284 |
| Contributions by the Government | 49,707,034 | 3,668,709 |
| | 66,256,923 | 4,855,993 |
| PAYMENTS AND OTHER CHARGES | | |
| Pensions and retiring allowance payments | 20,767 | |
| Cash termination allowances and returns of contributions | 3,524 | |
| Administrative expenses | | 1,579,702 |
| Pension transfer value payments | 4,567,078 | |
| | 4,591,369 | 1,579,702 |
| Receipts and other credits less payments and other charges | 61,665,554 | 3,276,291 |
| Transfers to Pension Investment Board | 55,722,705 | |
| Closing balance | 9,219,140 | 3,276,291 |

### Royal Canadian Mounted Police Superannuation Account

This account, established by the *Royal Canadian Mounted Police Superannuation Act* is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Royal Canadian Mounted Police members up to March 31, 2000.

**TABLE 6.25**

ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 11,640,608,898 | 11,255,480,938 |
| RECEIPTS AND OTHER CREDITS | | |
| Contributions from personnel (current and arrears) | 1,181,241 | 1,249,063 |
| Contributions by the Government | 1,092,284 | 1,196,328 |
| Transfers from other pension funds | 25,237 | 17,060 |
| Interest | 833,400,029 | 833,435,836 |
| | 835,698,791 | 835,898,287 |
| | 12,476,307,689 | 12,091,379,225 |
| PAYMENTS AND OTHER CHARGES | | |
| Annuities and allowance payments | 461,615,671 | 432,074,532 |
| Pension division payments | 14,711,255 | 10,718,859 |
| Returns of contributions | 1,621 | 2,960 |
| Cash termination allowance and gratuities | 58,933 | 2,619 |
| Commuted value payments | 2,948,174 | 3,286,248 |
| Transfers to other pension funds | 196,717 | 177,832 |
| Interest on returns of contributions | 1,419 | 1,491 |
| Administrative expenses | 7,594,230 | 4,505,786 |
| Actuarial liability adjustment | | |
| | 487,128,020 | 450,770,327 |
| Closing balance | 11,989,179,669 | 11,640,608,898 |

## Royal Canadian Mounted Police Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under the *Royal Canadian Mounted Police Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Service Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

### TABLE 6.26

ROYAL CANADIAN MOUNTED POLICE PENSION FUND ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 11,140,358 | 16,562,928 |
| RECEIPTS AND OTHER CREDITS | | |
| Contributions from personnel (current and arrears) | 93,643,110 | 85,458,532 |
| Contributions by the Government | 221,154,465 | 210,996,204 |
| Transfers from other pension funds | 1,194,760 | 2,381,127 |
| | 315,992,335 | 298,835,863 |
| PAYMENTS AND OTHER CHARGES | | |
| Annuities and allowance payments | 26,400,435 | 18,955,636 |
| Minimum benefits | | |
| Pension division payments | 2,395,629 | 1,457,006 |
| Returns of contributions | 86,513 | 108,306 |
| Cash termination allowance and gratuities | 734 | |
| Commuted value payments | 3,170,600 | 2,279,934 |
| Transfers to other pension funds | 314,011 | 92,054 |
| Interest on returns of contributions | 20,577 | 15,740 |
| Administrative expenses | 1,901,917 | 941,449 |
| | 34,290,416 | 23,850,125 |
| Receipts and other credits less payments and other charges | 281,701,919 | 274,985,738 |
| Transfers to Pension Investment Board | 281,655,322 | 280,408,308 |
| Closing balance | 11,186,955 | 11,140,358 |

## Members of Parliament Retiring Allowances Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the Senate or the House of Commons. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

### TABLE 6.27

MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 486,657,601 | 453,260,380 |
| RECEIPTS AND OTHER CREDITS | | |
| Members' contributions | | |
| Current | 1,604,755 | 1,577,562 |
| Arrears of principal, interest and mortality insurance | 30,740 | 76,194 |
| Government contributions | | |
| Current | 5,592,419 | 5,355,841 |
| Interest | 50,003,648 | 46,554,638 |
| | 57,231,562 | 53,564,235 |
| | 543,889,163 | 506,824,615 |
| PAYMENTS AND OTHER CHARGES | | |
| Annual allowances | 20,530,863 | 20,017,711 |
| Withdrawal allowances | 6,934 | 18,258 |
| Interest on withdrawals | | 1,499 |
| Pension division payments | 253,066 | 129,546 |
| Transfers to other pension funds | | |
| | 20,790,863 | 20,167,014 |
| Closing balance | 523,098,300 | 486,657,601 |

### Members of Parliament Retirement Compensation Arrangements Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members.

**TABLE 6.28**

MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 155,082,974 | 140,775,475 |
| RECEIPTS AND OTHER CREDITS | | |
| Members' contributions | | |
| Current | 2,537,360 | 2,595,271 |
| Arrears of principal, interest and mortality insurance | 42,814 | 68,379 |
| Government contributions | | |
| Current | 16,480,107 | 16,178,865 |
| Interest | 16,501,512 | 15,103,392 |
| Actuarial liability adjustment | | |
| | 35,560,993 | 33,945,909 |
| | 190,643,967 | 174,721,384 |
| PAYMENTS AND OTHER CHARGES | | |
| Annual allowances | 6,281,662 | 5,886,618 |
| Refundable tax remitted to Canada Revenue Agency | 18,318,531 | 13,540,275 |
| Withdrawals | 9,730 | 56,942 |
| Interest on withdrawals | | 2,532 |
| Pension division payments | 34,257 | 152,043 |
| | 24,644,180 | 19,638,410 |
| Closing balance | 165,999,787 | 155,082,974 |

### Retirement Compensation Arrangements (RCA) Account

The RCA was established by the *Special Retirement Arrangements Act* (SRAA) to provide pension benefits for federal employees under retirement compensation arrangements.

The RCA No.1 pays those pension benefits above the amount that may, in accordance with the *Income Tax Act* restrictions on registered pension plans, be paid under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*. The RCA No.1 was created effective December 15, 1994.

The RCA No.2 pays benefits to Public Service employees who were between age 50 and 54 and declared surplus as part of a 3 year Government downsizing initiative which ended on March 31, 1998. It pays the difference between an unreduced pension and the reduced pension for early retirement payable from the Public Service Superannuation Account. The RCA No.2 was created April 1, 1995 and is funded entirely by the Government.

## TABLE 6.29

## RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

| | RCA No.1 | | | | | | RCA No.2 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Public Service | | Canadian Forces | | Royal Canadian Mounted Police | | Public Service | | Total | |
| | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Opening balance | [illegible] | [illegible] | 149,350,091 | 129,669,838 | 22,258,159 | 21,024,924 | 825,841,342 | 831,426,264 | 1,592,833,434 | 1,525,076,464 |
| RECEIPTS AND OTHER CREDITS | | | | | | | | | | |
| Contributions | | | | | | | | | | |
| Government employees | [illegible] | [illegible] | 2,348,965 | 2,399,869 | 190,603 | 193,296 | | | 10,155,874 | 10,559,672 |
| Retired employees | [illegible] | [illegible] | | | | | | | 239,725 | 176,240 |
| Public Service corporation employees | [illegible] | [illegible] | | | | | | | 1,272,032 | 1,285,632 |
| Employer contributions | | | | | | | | | | |
| Government | [illegible] | [illegible] | 48,807,450 | 39,053,340 | 1,305,758 | 961,915 | | | 104,388,167 | 96,539,868 |
| Public Service corporations | [illegible] | [illegible] | | | | | | | 9,111,188 | 9,496,144 |
| Transfers from other pension funds | [illegible] | 70 | | | | | | | 1,987 | 70 |
| Refundable tax | | | | | | | 6,081,532 | 3,874,342 | 6,081,532 | 3,874,342 |
| Interest | [illegible] | [illegible] | 12,035,761 | 10,669,676 | 1,656,181 | 1,608,429 | 57,902,763 | 60,285,511 | 116,342,143 | 115,415,630 |
| Actuarial liability adjustment | | | | | | | 9,500,000 | 9,500,000 | 9,500,000 | 9,500,000 |
| | [illegible] | [illegible] | 63,192,176 | 52,122,885 | 3,152,542 | 2,763,640 | 73,484,295 | 73,659,853 | 257,492,648 | 246,847,598 |
| | [illegible] | [illegible] | 212,542,267 | 181,792,723 | 25,410,701 | 23,788,564 | 899,325,637 | 905,086,117 | 1,850,326,082 | 1,771,924,062 |
| PAYMENTS AND OTHER CHARGES | | | | | | | | | | |
| Annuities | [illegible] | [illegible] | 1,273,889 | 991,277 | 310,811 | 250,936 | 80,392,826 | 79,244,775 | 91,125,113 | 87,892,589 |
| Minimum benefits | | [illegible] | | | | | | | | 14,749 |
| Pension division | [illegible] | [illegible] | 148,146 | 204,489 | | 7,803 | | | 919,574 | 689,541 |
| Transfer value and interest | [illegible] | [illegible] | 216,754 | | | 200 | | | 731,526 | 492,437 |
| Refunds of contributions | | | | | | | | | | |
| Government employees | [illegible] | [illegible] | 37,882 | 45,652 | | 905 | | | 44,054 | 125,378 |
| Public Service corporation employees | [illegible] | [illegible] | | | | | | | 6,519 | 43,739 |
| Transfers | [illegible] | [illegible] | | | 766 | 647 | | | 5,383,563 | 1,392,256 |
| Refundable tax | [illegible] | [illegible] | 27,844,664 | 31,201,214 | 1,382,277 | 1,269,914 | | | 82,681,922 | 88,439,939 |
| | [illegible] | [illegible] | 29,521,335 | 32,442,632 | 1,693,854 | 1,530,405 | 80,392,826 | 79,244,775 | 180,892,271 | 179,090,628 |
| Closing balance | [illegible] | [illegible] | 183,020,932 | 149,350,091 | 23,716,847 | 22,258,159 | 818,932,811 | 825,841,342 | 1,669,433,811 | 1,592,833,434 |

## Supplementary Retirement Benefits Account

This account was established by the *Supplementary Retirement Benefits Act*, to provide for pension benefit increases resulting from changes in the Consumer Price Index.

The account continues to provide for increased pension benefits resulting from indexation for pensions of federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

### TABLE 6.30

SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

| | Judges | | Others[1] | | Total | |
|---|---|---|---|---|---|---|
| | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 |
| | $ | $ | $ | $ | $ | $ |
| Opening balance | 128,794,082 | 118,183,214 | 454,232 | 509,428 | 129,248,314 | 118,692,642 |
| RECEIPTS AND OTHER CREDITS | | | | | | |
| Employee contributions | | | | | | |
| Government | 2,688,238 | 2,835,266 | (3,882) | 17,683 | 2,684,356 | 2,852,949 |
| Matching contributions | | | | | | |
| Government | 2,688,238 | 2,835,266 | 42,019 | 17,683 | 2,730,257 | 2,852,949 |
| Interest | 5,413,014 | 4,940,336 | 18,858 | 17,976 | 5,431,872 | 4,958,312 |
| | 10,789,490 | 10,610,868 | 56,995 | 53,342 | 10,846,485 | 10,664,210 |
| | 139,583,572 | 128,794,082 | 511,227 | 562,770 | 140,094,799 | 129,356,852 |
| PAYMENTS AND OTHER CHARGES | | | | | | |
| Annuities | | | | | | |
| Returns of contributions | | | 19,101 | 108,538 | 19,101 | 108,538 |
| | | | 19,101 | 108,538 | 19,101 | 108,538 |
| Closing balance | 139,583,572 | 128,794,082 | 492,126 | 454,232 | 140,075,698 | 129,248,314 |

(1) Includes lieutenant governors and non-career diplomats.

## Allowance for Pension Adjustments

This account records the accounting adjustments resulting from annual actuarial valuations.

Estimation adjustments of $269 million in net losses ($1,027 million in net gains in 2007) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and increased (decreased in 2007) pension costs for the year.

An amount of $31 million ($31 million in 2007) was recorded in this account during the year to offset pension costs charged to expenses in previous years but recorded in the accounts in the year.

An amount of $165 million ($206 million in 2007) was recorded in this account and reduced pension costs to adjust for the difference between the Government contributions and the net cost of current services.

An amount of $9 million ($2,138 million in 2007) was recorded in this account and increased pension costs to adjust for the cost of past service related to amendments that were made to the pension plans during the year.

An amount of $1,144 million was credited to this account ($587 million in 2007) to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts and an amount of $2,034 million ($1,659 million in 2007) was recorded in this account to record the expected return on the pension plan assets.

As well, a consolidation adjustment of $95 million ($98 million in 2007) was credited to this account and debited against personal tax revenues to eliminate the effect of internal transactions resulting from tax amounts debited to the RCA accounts that were previously recorded as tax revenues.

The unamortized estimation adjustment of $1,738 million in net losses ($1,307 million in 2007) will be amortized to this account and will affect expenses in future years.

As a result of annual actuarial valuations for accounting purposes, the net liability for public sector pensions was found to be $11,037 million ($10,753 million in 2007) lower than the balance of the superannuation accounts, plus the market related value of the assets invested in PSP Investments through the Pension Funds, and the contributions receivable from employees for past service. This amount is made up of:

| | Excess (shortfall) (in millions of dollars) | |
|---|---|---|
| | 2008 | 2007 |
| Public Service Pension Plan | | |
| Public Service Superannuation Account | 7,689 | 7,711 |
| Public Service Pension Fund | 837 | 529 |
| Retirement Compensation Arrangements | (1,179) | (1,156) |
| | 7,347 | 7,084 |
| Canadian Forces Pension Plan | | |
| Canadian Forces Superannuation Account | 4,498 | 4,415 |
| Canadian Forces Pension Fund | (143) | (310) |
| Reserve Force Pension Fund | (82) | (127) |
| Retirement Compensation Arrangements | (69) | (64) |
| | 4,204 | 3,914 |
| Royal Canadian Mounted Police Pension Plan | | |
| Royal Canadian Mounted Police Superannuation Account | 1,286 | 1,283 |
| Royal Canadian Mounted Police Pension Fund | 59 | 5 |
| Retirement Compensation Arrangements | 1 | 2 |
| | 1,346 | 1,290 |
| Members of Parliament Pension Plan | | |
| Members of Parliament Retiring Allowances | 137 | 123 |
| Retirement Compensation Arrangements | (151) | (137) |
| | (14) | (14) |
| Pension plan for federally appointed judges | (1,846) | (1,521) |
| Total | 11,037 | 10,753 |

## Other employee and veteran future benefits

The Government sponsors a variety of other future benefit plans from which employees and former employees (including military or Royal Canadian Mounted Police members), can benefit, during or after employment or upon retirement. Some are considered retirement benefits, whereby benefits are expected to be provided after retirement to employees and their beneficiaries or dependents. Others are considered post-employment benefits, whereby benefits are expected to be paid after employment but before retirement. Benefits for veterans are paid to war veterans, as well as to Canadian Forces retired veterans and Canadian Forces still-serving members. Benefits for members of the Royal Canadian Mounted Police are paid to both current and former members. These are primarily post-employment benefits, but some benefits are also paid during employment to still-serving members. They include disability and associated benefits paid to veterans or, Royal Canadian Mounted Police members, or to their beneficiaries and dependants.

The other major future benefits include the Public Service Health Care Plan and the Pensioners' Dental Services Plan available to retired employees and retired military and Royal Canadian Mounted Police members and post-employment benefits such as workers' compensation benefits and severance benefits that accumulate. Table 6.31 presents the balance of these liabilities at year-end.

**TABLE 6.31**

OTHER EMPLOYEE AND VETERAN FUTURE BENEFITS

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Veterans' disability and other future benefits | 28,424,000,000 | 3,573,000,000 | 2,762,000,000 | 29,235,000,000 |
| Royal Canadian Mounted Police disability and other future benefits | 1,277,000,000 | 311,000,000 | 66,000,000 | 1,522,000,000 |
| Public Service Health Care Plan | 8,762,000,000 | 1,509,000,000 | 335,000,000 | 9,936,000,000 |
| Pensioners' Dental Services Plan | 1,748,000,000 | 189,000,000 | 56,000,000 | 1,881,000,000 |
| Severance and other benefits | 4,268,000,000 | 862,000,000 | 440,000,000 | 4,690,000,000 |
| Workers' compensation | 644,000,000 | 93,000,000 | 100,000,000 | 637,000,000 |
| Total | 45,123,000,000 | 6,537,000,000 | 3,759,000,000 | 47,901,000,000 |

All of these plans are unfunded. The Public Service Health Care Plan and the Pensioners' Dental Services Plan are contributory plans. Contributions by retired plan members are made to the plans only in the year the benefits are payable to retirees. Therefore the Government's liability and costs are shown net of members' contributions. The accrued benefit obligation related to these plans is determined actuarially for accounting purposes. As at March 31, the Government's recorded liability includes the following components:

(in millions of dollars)

| | 2008 | | | 2007 |
|---|---|---|---|---|
| | Accrued benefit obligation | Unamortized estimation adjustments | Future benefit liability | Future benefit liability |
| Veterans' disability and other future benefits | 41,135 | (11,900) | 29,235 | 28,424 |
| Royal Canadian Mounted Police disability and other future benefits | 2,915 | (1,393) | 1,522 | 1,277 |
| Public Service Health Care Plan | 14,975 | (5,039) | 9,936 | 8,762 |
| Pensioners' Dental Services Plan | 2,475 | (594) | 1,881 | 1,748 |
| Severance and other benefits | 5,273 | (583) | 4,690 | 4,268 |
| Workers' compensation | 707 | (70) | 637 | 644 |
| Total | 67,480 | (19,579) | 47,901 | 45,123 |

The cost of these benefits can accrue either during the service life of employees or upon occurrence of an event giving rise to the liability under the terms of the plans. An interest component is charged to interest on the public debt based on the average accrued benefit obligation.

During the year, benefits related to housekeeping and grounds maintenance assistance provided to eligible War Veterans under the Veterans Independence Program were expanded to include certain eligible survivors of War Veterans. Also, benefit improvements through the opening of five new Operational Stress Injury Clinics across Canada were approved to help military personnel, Royal Canadian Mounted Police members, and their family deal with stress related injuries. These plan amendments resulted in a one-time estimated past service cost of $395 million for the veterans' future benefits and $11 million for the Royal Canadian Mounted Police future benefits. These one-time impacts are recorded to the future benefit expense and to the year-end accrued benefit obligation.

There were no changes to health care and dental care plan benefits during the year. In 2007, the extension of health care and dental retirement benefits to Canadian Forces reservists resulted in one-time estimated past service costs of $103 million and of $16 million respectively.

During the year, the expense relating to these benefits was as follows:

(in millions of dollars)

| | 2008 | | | | | | 2007 |
|---|---|---|---|---|---|---|---|
| | Benefits earned | Plan amendment costs | Amortization of estimation adjustments | Net benefit expense | Interest cost | Total | Total |
| Veterans' disability and other future benefits | 356 | 395 | 1,136 | 1,887 | 1,686 | 3,573 | 2,754 |
| Royal Canadian Mounted Police disability and other future benefits | 95 | 11 | 96 | 202 | 109 | 311 | 232 |
| Public Service Health Care Plan | 417 | | 493 | 910 | 599 | 1,509 | 1,512 |
| Pensioners' Dental Services Plan | 62 | | 33 | 95 | 94 | 189 | 177 |
| Severance and other benefits[1] | 586 | | 55 | 641 | 221 | 862 | 554 |
| Workers' compensation | 54 | | 8 | 62 | 31 | 93 | 99 |
| Total | 1,570 | 406 | 1,821 | 3,797 | 2,740 | 6,537 | 5,328 |

(1) Benefits earned include a one-time adjustment of $179 million related to the Reserve Force Retirement Gratuity Program that was enhanced in 2007 and that is recorded in 2008 for the first time.

## Canada Pension Plan

The Canada Pension Plan (the Plan) is a compulsory and contributory social insurance program which is designed to provide a measure of protection to Canadian workers and their families against loss of earnings due to retirement, disability or death. Established in 1965, the Plan operates in all parts of Canada, except the Province of Quebec which has a comparable plan.

Under existing arrangements, all pensions, benefits and expenditures incurred in the administration of the Plan are financed from contributions made by employees, employers and self-employed persons, and from investment returns.

As administrator, the Government's authority to spend is limited to the Plan's net assets. At March 31, the fair value of the Plan's net assets is $126,8 billion ($119,8 billion in 2007).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Fund (the Fund) and the Canada Pension Plan Investment Board (the Board). The Fund was established in the accounts of Canada to record the investment in bonds of provinces, territories and Canada. The Board operates at arm's length from the Government and invests in a diversified portfolio of securities.

Amendments to the *Canada Pension Plan Act* and the *Canada Pension Plan Investment Board Act* that became effective April 1, 2004 provided for the transfer of the bonds held in the Fund and a portion of the funds on deposit with the Receiver General for Canada to the Board. The bond portfolio was transferred over a period of three years that began in May 2004 and completed in April, 2007. The balance on deposit with the Receiver General was transferred over a period of twelve months that ended in August 2005. The amended legislation provides for weekly transfers to the Board of any amounts held in the Account that exceeds the immediate obligation of the Plan. It also allows interest to be either credited to or charged to the Account based on its closing position.

Table 6.32 presents a reconciliation between the net assets shown in the Plan's financial statements and the Account, as well as a summary of the balances and transactions in the Account which result in the deposit with the Receiver General for Canada.

### TABLE 6.32

DUE TO CANADA PENSION PLAN

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Canada Pension Plan balance per audited financial statements — | | | | |
| Net assets per audited financial statements | 119,831,551,786 | 34,934,849,006 | 27,981,711,769 | 126,784,689,023 |
| Less: Receivables, net of liabilities | 3,228,792,927 | 3,975,321,394 | 3,228,792,927 | 3,975,321,394 |
| Unrealized gain/loss on investment fund | 50,993,543 | | 50,993,543 | |
| Accumulated net income from Canada Pension Plan Investment Board's operations | 32,766,000,000 | | 422,000,000 | 32,344,000,000 |
| | *83,785,765,316* | *30,959,527,612* | *24,279,925,299* | *90,465,367,629* |
| Less: transfers to Canada Pension Plan Investment Board | 83,169,356,264 | 20,594,469,846 | 27,784,089,432 | 90,358,975,850 |
| Subtotal | 616,409,052 | 51,553,997,458 | 52,064,014,731 | 106,391,779 |
| Less: securities held by the Canada Pension Plan Investment Fund — | | | | |
| Canada | 48,398,445 | 48,398,445 | | |
| Newfoundland and Labrador | 15,189,367 | 15,189,367 | | |
| Nova Scotia | 24,387,754 | 24,387,754 | | |
| Prince Edward Island | 3,357,605 | 3,357,605 | | |
| New Brunswick | 20,329,546 | 20,329,546 | | |
| Quebec [1] | 2,383,033 | 2,383,033 | | |
| Ontario | 256,751,312 | 256,751,312 | | |
| Manitoba | 16,854,168 | 16,854,168 | | |
| Saskatchewan | 20,354,941 | 20,354,941 | | |
| Alberta | 61,229,526 | 61,229,526 | | |
| British Columbia | 93,502,034 | 93,502,034 | | |
| Yukon Territory | 87,611 | 87,611 | | |
| | 562,825,342 | 562,825,342 | | |
| Deposit with the Receiver General for Canada | 53,583,710 | 52,116,822,800 | 52,064,014,731 | 106,391,779 |

(1) The Quebec Bonds which are purchased by the Plan relate to the contributions of certain federal employees, such as members of the Canadian Forces, who are resident in the Province of Quebec but contribute to the Plan.

Receipts and other credits include:

*(a)* contributions at the combined employer and employee rates of 9.9 percent of pensionable earnings for the 2007 and 2008 calendar years, subject to maximum combined contributions of $3,980 and $4,099 respectively;

*(b)* income from investments in bonds held by the Fund and from the average daily operating balance deposited with the Receiver General for Canada;

*(c)* funds received from the federal, provincial and territorial governments for the bonds which have been disposed during the year;

*(d)* gains on investments held by the Fund and/or the Board; and,

*(e)* payments received on overpayments established.

Payments and other charges include:

*(a)* pensions and benefits paid under the Plan as retirement pensions, survivors' benefits paid to spouse or common-law partner and orphans, or as lump sum death benefits, and disability benefits to eligible contributors and their children;

*(b)* pensions and benefits paid and recovered from the Plan, in accordance with an agreement with a province providing a comprehensive pension plan;

*(c)* payments that are required to be charged to the Plan, in accordance with reciprocal agreements with other countries;

*(d)* the costs of administration of the Plan;

*(e)* funds reinvested during the year in the bonds of provincial and territorial governments;

*(f)* funds transferred to the Board; and,

*(g)* losses on investments held by the Fund and/or the Board.

For additional information, the financial statements of the Plan are included with other Supplementary Statements at the end of this section. Additional information on the funding of the Plan may also be obtained from the *23rd Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

## Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Government annual surplus.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and any credit needed to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

As of March 31, 2008, over 60,209 annuitants held 65,037 active contracts, each annuitant receiving an average payment of $660.00. During the year, 267 deferred annuities came into payment and another 65 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2008, there were 1,649 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 2007-2008 fiscal year, 4,784 annuities were terminated or adjusted as a result of annuitant deaths: 3,061 group certificates and 1,723 individual contracts. The average age at death for males was 84.9 while the female age at death averaged 85.1.

Total income amounted to $21.1 million, $20.7 million of which represented interest of 7 percent credited to the Account. Premiums received totaled $22,900. Total disbursements of $45.0 million originated mainly from the $44.5 million in payments made under matured annuities. An amount of $144,619 was used to refund premiums at death before maturity or when the annuity would have been too small, and $162,224 was transferred to the Government's revenues as a result of unclaimed annuities.

The opening balance of $319.4 million was reduced due to a surplus as at April 1, 2007 of $2.9 million, transferred to the Government's revenues, and disbursements exceeding income by $23.8 million during 2007-2008. Since the actuarial reserves required as of March 31, 2008 were only $293 million, an excess amount of $2.6 million was also transferred to the Government's revenues.

## Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities, these are deducted from the corresponding accounts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.33 presents a summary of the balances and transactions in deposit and trust accounts.

### TABLE 6.33

DEPOSIT AND TRUST ACCOUNTS

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Deposit accounts | | | | |
| Agriculture and Agri-Food | | | | |
| Canadian Dairy Commission | | | | |
| Canadian Dairy Commission account | 159,159 | 48,809,777 | 48,616,954 | 351,982 |
| Canada Revenue Agency | | | | |
| Guarantee deposits | 58,651,581 | 115,753,431 | 69,613,776 | 104,791,236 |
| Less: securities held in trust | 1,725,000 | 2,000 | | 1,723,000 |
| | *56,926,581* | *115,755,431* | *69,613,776* | *103,068,236* |
| Finance | | | | |
| Canada Development Investment Corporation | | | | |
| Holdback – Privatization | 43,500,000 | | | 43,500,000 |
| Canada Hibernia Holding Corporation | | | | |
| Abandonment reserve fund | 78,478,000 | | | 78,478,000 |
| | *121,978,000* | | | *121,978,000* |
| Human Resources and Skills Development | | | | |
| Canada Labour Code – Other | 138,773 | 306,110 | 338,512 | 106,371 |
| Canada Labour Code – Wage recovery appeals | 416,016 | 464,730 | 493,347 | 387,399 |
| | *554,789* | *770,840* | *831,859* | *493,770* |
| Indian Affairs and Northern Development | | | | |
| Agent administered Indian moneys account | 8,247 | 692 | 8,939 | |
| Less: securities held in Peace Hills Trust | 8,247 | 8,939 | 692 | |
| | | *9,631* | *9,631* | |
| Field British Columbia and Yukon Operations of the Northern Canada Power Commission | 992,588 | | 1 | 992,587 |
| Guarantee deposits | 194,361,989 | 260,665,420 | 121,033,046 | 333,994,363 |
| Less: securities held in trust | 176,572,019 | 115,045,096 | 252,638,357 | 314,165,280 |
| | *17,789,970* | *375,710,516* | *373,671,403* | *19,829,083* |
| Guarantee deposits – Oil and gas | 122,637,117 | 165,213,369 | 54,733,677 | 233,116,809 |
| Less: securities held in trust | 116,178,023 | 49,819,767 | 162,633,467 | 228,991,723 |
| | *6,459,094* | *215,033,136* | *217,367,144* | *4,125,086* |
| Guarantee deposits – Reserve resources | 766,953 | | | 766,953 |
| Special accounts – Section 63, Indian Act | 231,480 | 3,122,161 | 2,892,009 | 461,632 |
| Less: deposits in special bank accounts | 231,480 | 2,900,127 | 3,130,279 | 461,632 |
| | | *6,022,288* | *6,022,288* | |
| | *26,008,605* | *596,775,571* | *597,070,467* | *25,713,709* |
| Justice | | | | |
| Canadian Human Rights Commission | | | | |
| Guarantee deposits | 9,000 | | 9,000 | |
| Courts Administration Service | | | | |
| Security for costs | 16,014 | 18,347 | | 34,361 |
| Supreme Court of Canada | | | | |
| Security for costs | 385,993 | 7,817 | 2,678 | 391,132 |
| | *411,007* | *26,164* | *11,678* | *425,493* |
| Natural Resources | | | | |
| Guarantee deposits – Oil and gas | 357,746,194 | 377,474,375 | 478,097,376 | 257,123,193 |
| Less: securities held in trust | 343,685,250 | 343,685,250 | 243,577,829 | 243,577,829 |
| | *14,060,944* | *721,159,625* | *721,675,205* | *13,545,364* |

## TABLE 6.33

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Privy Council— | | | | |
| Chief Electoral Officer—Candidates' and committees' deposits—Election and referendum | 71,000 | 42,000 | 69,000 | 44,000 |
| Public Safety and Emergency Preparedness— | | | | |
| Canada Border Services Agency— | | | | |
| Guarantee deposits | 7,048,570 | 2,285,866 | 3,611,325 | 5,723,111 |
| Less: securities held in trust | 168,300 | | | 168,300 |
| | *6,880,270* | *2,285,866* | *3,611,325* | *5,554,811* |
| General security deposits | 4,574,597 | 490,000 | | 5,064,597 |
| Immigration guarantee fund | 28,400,664 | 9,430,023 | 9,873,156 | 27,957,531 |
| Temporary deposits received from importers | 967,414 | 716,060 | 713,747 | 969,727 |
| | *40,822,945* | *12,921,949* | *14,198,228* | *39,546,666* |
| Public Works and Government Services— | | | | |
| Contractors' security deposits (departments and agencies)— | | | | |
| Bonds | 1,438,241 | | | 1,438,241 |
| Less: securities held in trust | 1,438,241 | | | 1,438,241 |
| Cash | 7,908,308 | 2,792,642 | 180,769 | 10,520,181 |
| Certified cheques | 10,853 | 58,090 | 3,000 | 65,943 |
| Deposits on disposals | 261,587 | 10,068,656 | 9,689,745 | 640,498 |
| Seized property—Cash | 73,645,313 | 35,778,997 | 40,235,485 | 69,188,825 |
| | *81,826,061* | *48,698,385* | *50,108,999* | *80,415,447* |
| Total deposit accounts | 342,819,091 | 1,544,959,742 | 1,502,196,166 | 385,582,667 |
| Trust accounts— | | | | |
| Human Resources and Skills Development— | | | | |
| Indian Residential Schools Settlement Agreement— | | | | |
| Common Experience Payments | | 1,836,916,568 | 1,199,266,100 | 637,650,468 |
| Indian Affairs and Northern Development— | | | | |
| Indian band funds— | | | | |
| Capital accounts, Table 6.34 | 734,116,581 | 194,710,348 | 165,559,317 | 763,267,612 |
| Revenue accounts, Table 6.35 | 207,924,097 | 85,639,947 | 75,269,182 | 218,294,862 |
| | *942,040,678* | *280,350,295* | *240,828,499* | *981,562,474* |
| Indian estate accounts | 12,607,906 | 4,783,554 | 4,186,709 | 13,204,751 |
| Indian savings accounts | 39,075,960 | 3,875,411 | 4,164,804 | 38,786,567 |
| | *993,724,544* | *289,009,260* | *249,180,012* | *1,033,553,792* |
| National Defence— | | | | |
| Estates—Armed services | 244,154 | 2,242,498 | 2,112,401 | 374,251 |
| Public Safety and Emergency Preparedness— | | | | |
| Canadian Security Intelligence Service— | | | | |
| Scholastic awards | 27,163 | 1,006 | | 28,169 |
| Correctional Service— | | | | |
| Inmates' trust fund | 12,270,747 | 40,722,117 | 38,687,335 | 14,305,529 |
| Royal Canadian Mounted Police— | | | | |
| Benefit trust fund | 2,311,992 | 178,240 | 88,880 | 2,401,352 |
| | *14,609,902* | *40,901,363* | *38,776,215* | *16,735,050* |
| Veterans Affairs— | | | | |
| Administered accounts | 1,666,334 | 483,229 | 489,249 | 1,660,314 |
| Estates fund | 4,585,137 | 388,494 | 917,002 | 4,056,629 |
| Veterans administration and welfare trust fund | 829,560 | 213,843 | 117,823 | 925,580 |
| | *7,081,031* | *1,085,566* | *1,524,074* | *6,642,523* |
| Total trust accounts | 1,015,659,631 | 2,170,155,255 | 1,490,858,802 | 1,694,956,084 |
| Total deposit and trust accounts | 1,358,478,722 | 3,715,114,997 | 2,993,054,968 | 2,080,538,751 |

### Canadian Dairy Commission account

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. This account was established for banking purposes using the Consolidated Revenue Fund pursuant to section 15 of the *Canadian Dairy Commission Act*.

### Guarantee deposits—Canada Revenue Agency

This account was established to record cash securities required to guarantee payment of Goods and Services Tax (GST) as it relates to non resident registrants and, certain licensees as it relates to excise taxes, which are both payable pursuant to the *Excise Tax Act*.

Securities held in trust by the Agency are made up of cash deposited to the Consolidated Revenue Fund.

### Holdback—Privatization—Canada Development Investment Corporation

This account was established pursuant to subsection 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

### Canada Hibernia Holding Corporation—Abandonment reserve fund

This account was established to record funds which will be used to defray the future abandonment costs that will occur at the closure of the Hibernia field.

### Canada Labour Code—Other

This account was established to record amounts received under the provisions of section 251 of the Canada Labour Code Part III. The receipts are wage payments ordered by a Labour inspector in settlement of a wages dispute, which the employer has chosen to pay to the Minister of Labour instead of paying them directly to the employee. These amounts are then paid out to the employees.

### Canada Labour Code—Wage Recovery Appeals

This account was established to record amounts received under the provisions of section 251.1 of the Canada Labour Code Part III. This requires federally-regulated employers who wish to appeal a payment order made by a Labour inspector regarding wages due to employees, to forward the amounts due to the Minister of Labour for deposit. They are held until the appeal is completed and the adjudicator has directed payment of the disputed amount to the employee or return to the employer. Deposits in this account are interest-bearing at the rate set by the Minister of Finance for contractor's deposits.

### Agent administered Indian minors account

This account was established to record moneys belonging to Indian minors transferred to and held by an appointed agent pursuant to section 52 of the *Indian Act*.

### Field British Columbia and Yukon Operations of the Northern Canada Power Commission

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field, British Columbia and Yukon Operations of the Northern Canada Power Commission.

### Guarantee deposits—Indian Affairs and Northern Development

This account was established to record cash and securities deposited as guarantees for performance as required by permits, leases, authorizations and water licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 17 of the *Yukon Waters Act* and of the *Northwest Territories Waters Act* and various regulations under the *Territorial Lands Act*. Interest is not allowed on cash deposits.

### Guarantee deposits—Oil and gas—Indian Affairs and Northern Development

This account was established to record securities in the form of cash, promissory notes, letters of credit or other acceptable instruments which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with the *Canada Petroleum Resources Act*. These securities are a performance guarantee or refundable rental that the agreed exploration work will be performed in the manner and time frame specified. Interest is not paid on these deposits.

### Guarantee deposits—Reserve resources

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

### Special accounts—Section 63, *Indian Act*

This account was established to record moneys held for Indians in authorized banks across Canada. These moneys include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands. This is a non-interest bearing account.

### Guarantee deposits—Canadian Human Rights Commission

This account was established to record a post security for cost made pursuant to the order of the Court of Appeal for Ontario.

During the year, the account was closed.

### Security for costs—Courts Administration Service

This account was established to maintain accounts on behalf of litigants before the Tax Court of Canada. These accounts record the moneys paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held pending payment of such moneys, in accordance with an order/judgment of the Court.

### Security for costs—Supreme Court of Canada

This account was established to record security to the value of $500 deposited by an Appellant with the Registrar of the Supreme Court of Canada in accordance with paragraph 60(1)(b) of the *Supreme Court Act*. As per section 87 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

### Guarantee deposits—Oil and gas—Natural Resources

This account was established to record securities in the form of cash, promissory notes, and bonds which are required to be issued to, and held by the Government of Canada pursuant to an Exploration Licence in accordance with section 24 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

### Candidates' and committees' deposits—Election and referendum

This account was established to record candidates' election and committees' referendum deposits received in respect of an election (general or by-election) or a referendum.

Pursuant to the *Canada Election Act* or the *Referendum Act*, amounts received are either refunded to candidates or committees, or are transferred to non-tax revenues.

### Guarantee deposits—Canada Border Services Agency

This account was established to record cash required to guarantee payment of customs duties on imported goods pursuant to the *Customs Act*.

### General security deposits

This account was established to record general security deposits from transportation companies in accordance with subsection 148 of the *Immigration and Refugee Protection Act*.

### Immigration guarantee fund

This account was established by sections 14, 26, 44, 56, 58 and 148 of the *Immigration and Refugee Protection Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

### Temporary deposits received from importers

This account was established to record temporary security deposits received from importers to ensure compliance with various (Customs) regulations regarding temporary entry of goods.

### Contractors' security deposits

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

### Deposits on disposals

This account was established in accordance with the terms and conditions of the Real Property Disposition Revolving Fund to record receipts on disposals of properties.

### Seized property—Cash

This account was established pursuant to the *Seized Property Management Act*, to record seized cash. These funds will be deposited to the Consolidated Revenue Fund and credited to the account until returned to the owner or forfeited.

### Indian Residential Schools Settlement Agreement—Common Experience Payments

This account was established pursuant to section 21 of the *Financial Administration Act*, to record amounts received and paid under Article 5 of the Indian Residential Schools Settlement Agreement. It was established on September 19, 2007, and provides for the payment of Common Experience Payments to eligible former students of recognized Indian Residential Schools. The account is credited with interest pursuant to section 21(2) of the *Financial Administration Act*. The Designated Amount Fund is co-administered by Indian Residential Schools Resolution Canada and Human Resources and Skills Development Canada.

### Indian band funds

This account was established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

**TABLE 6.34**

INDIAN BAND FUNDS—CAPITAL ACCOUNTS

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 734,116,581 | 779,954,934 |
| RECEIPTS AND OTHER CREDITS | | |
| Oil royalties | 48,975,625 | 31,599,723 |
| Gas royalties | 136,311,985 | 137,325,272 |
| Land and other claim settlements | 640,000 | |
| Sundries | 8,782,738 | 11,203,745 |
| | 194,710,348 | 180,128,740 |
| | 928,826,929 | 960,083,674 |
| PAYMENTS AND OTHER CHARGES | | |
| Per capita cash distribution | 15,150,500 | 16,305,875 |
| Transfer pursuant to section 64 of the Indian Act | 150,408,817 | 209,661,211 |
| Sundries | | 7 |
| | 165,559,317 | 225,967,093 |
| Closing balance | 763,267,612 | 734,116,581 |

**TABLE 6.35**

INDIAN BAND FUNDS—REVENUE ACCOUNTS

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 207,924,097 | 199,376,058 |
| RECEIPTS AND OTHER CREDITS | | |
| Government interest | 41,132,930 | 40,888,631 |
| Land and other claim settlements | 9,620,842 | 14,581 |
| Sundries | 34,886,175 | 32,255,295 |
| | 85,639,947 | 73,158,507 |
| | 293,564,044 | 272,534,565 |
| PAYMENTS AND OTHER CHARGES | | |
| Per capita cash distribution | 3,472,873 | 12,250,671 |
| Transfer pursuant to section 69 of the Indian Act | 69,458,867 | 50,495,727 |
| Sundries | 2,337,442 | 1,864,070 |
| | 75,269,182 | 64,610,468 |
| Closing balance | 218,294,862 | 207,924,097 |

### Indian estate accounts

These accounts were established to record moneys received and disbursed for estates of deceased Indians, mentally incompetent Indians and missing Indians pursuant to sections 42 to 51 and 52.3 of the *Indian Act*.

### Indian savings accounts

These accounts were established to record moneys received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

### Estates—Armed services

This account was established to record the service estates of officers and non-commissioned members who die during their service in the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

### Scholastic awards

This account was established to record donations of $26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

### Inmates' trust fund

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobby craft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

### Benefit trust fund

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

### Administered accounts

Pursuant to section 41 of the *Pension Act*, section 15 of the *War Veterans Allowance Act, section 55 of the Veterans Treatment Regulations and section 8 of the Guardianship of Veterans Property Regulations*, these accounts are under the jurisdiction of the Department of Veterans Affairs. Moneys held in these accounts include: *(a)* pensions, war veterans allowances and treatment allowances placed under the administration of the Department of Veterans Affairs; and, *(b)* benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

### Estates fund

This account was established to record the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care, and for those veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the Veterans' Estates Regulations. Individual accounts are maintained and payments are made to beneficiaries pursuant to the appropriate legislative authority.

### Veterans administration and welfare trust fund

This account was established to record donations, legacies, gifts, bequests, etc, received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

## Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.36 presents a summary of the balances and transactions for all other specified purpose accounts.

**TABLE 6.36**

OTHER SPECIFIED PURPOSE ACCOUNTS

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Insurance and death benefit accounts | | | | |
| Finance | | | | |
| Office of the Superintendent of Financial Institutions | | | | |
| Insurance company liquidation | | 36,000 | 36,000 | |
| Human Resources and Skills Development | | | | |
| Civil service insurance fund | 6,133,193 | 70,668 | 238,235 | 5,965,626 |
| National Defence | | | | |
| Regular force death benefit account, Table 6.37 | 196,647,116 | 31,380,535 | 31,310,645 | 196,717,006 |
| Treasury Board | | | | |
| Public Service death benefit account, Table 6.38 | 2,442,941,729 | 264,139,099 | 137,071,081 | 2,570,009,743 |
| Veterans Affairs | | | | |
| Returned soldiers' insurance fund | 9,072 | 6,267 | 1,846 | 13,443 |
| Veterans insurance fund | 6,518,929 | 154,161 | 935,803 | 5,737,687 |
| | *6,527,951* | *160,428* | *937,649* | *5,751,130* |
| Total insurance and death benefit accounts | 2,652,244,985 | 295,766,720 | 169,543,210 | 2,778,468,495 |
| Pension accounts | | | | |
| Human Resources and Skills Development | | | | |
| Annuities agents' pension account | 1,705 | 1,360 | 2,177 | 888 |
| Public Safety and Emergency Preparedness | | | | |
| Royal Canadian Mounted Police | | | | |
| Dependants' pension fund | 29,408,843 | 2,069,731 | 2,941,316 | 28,537,258 |
| Total pension accounts | 29,410,548 | 2,071,291 | 2,943,493 | 28,538,146 |
| Other accounts | | | | |
| Agriculture and Agri-Food | | | | |
| AgriInvest Program | | 69,940,421 | 844,147 | 69,096,274 |
| Canadian Agricultural Income Stabilization | 495,178,542 | 213,015,011 | 463,277,928 | 244,915,625 |
| Canadian Food Inspection Agency | | | | |
| Shared-cost agreements | 1,587,822 | 630,464 | 651,471 | 1,566,815 |
| | 496,766,364 | 283,585,896 | 463,871,546 | 315,778,714 |
| Atlantic Canada Opportunities Agency | | | | |
| Federal/provincial agreement – Advance account | 555,590 | 645,000 | 674,197 | 526,393 |
| Canada Revenue Agency | | | | |
| Deposits/Disbursements – Worker's Compensation Board | | 219,332,519 | 219,332,519 | |
| Canadian Heritage | | | | |
| Miscellaneous projects deposits | 332,839 | 624,341 | 635,873 | 321,307 |
| Library and Archives of Canada | | | | |
| Special Operating Account | 170,465 | 582,755 | 704,205 | 248,515 |
| Telefilm Canada | | | | |
| Advance account | 24,347,738 | 163,781,911 | 150,744,625 | 37,385,024 |
| | *25,051,042* | *164,968,507* | *152,084,703* | *37,934,846* |
| Citizenship and Immigration | | | | |
| Immigrant investor program | 24,000,000 | 552,000,000 | 552,000,000 | 24,000,000 |

**TABLE 6.36**

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Environment | | | | |
| Miscellaneous projects deposits | 5,881,880 | 2,305,897 | 3,112,937 | 5,074,840 |
| Parks Canada Agency | | | | |
| Miscellaneous projects deposits | 1,411,584 | 96,183 | 650,045 | 857,722 |
| | *7,293,464* | *2,402,080* | *3,762,982* | *5,932,362* |
| Finance | | | | |
| Common school funds – Ontario and Quebec | 2,677,771 | | | 2,677,771 |
| Foreign claims fund | 179,020 | | | 179,020 |
| War claims fund – World | | | | |
| War II | 4,236 | | | 4,236 |
| | *2,861,027* | | | *2,861,027* |
| Fisheries and Oceans | | | | |
| Federal-provincial cost-sharing agreements | 649,289 | 942,020 | 1,025,936 | 565,373 |
| Miscellaneous projects deposits | 16,030,993 | 12,024,746 | 15,699,408 | 12,356,331 |
| Sales of seized assets | 602,024 | 269,637 | 305,142 | 566,519 |
| | *17,282,306* | *13,236,403* | *17,030,486* | *13,488,223* |
| Foreign Affairs and International Trade | | | | |
| Canada Foundation account | 358,522 | | | 358,522 |
| Less: securities held in trust | 351,370 | | | 351,370 |
| deposits in a special bank account | 7,152 | | | 7,152 |
| Financial assistance to Canadians abroad | 217,161 | 1,568,717 | 1,710,326 | 75,552 |
| Funds from non-governmental organizations | 3,588,441 | 3,700,379 | 5,900,581 | 1,388,239 |
| Shared-cost projects | 3,209,595 | 52,159,703 | 44,591,522 | 10,777,776 |
| Canadian International Development Agency – | | | | |
| Shared-cost projects – Support to education programs (formerly Shared-cost projects – International conferences) | 5,814,676 | 11,339,529 | 15,314,319 | 1,839,886 |
| NAFTA Secretariat, Canadian Section | | | | |
| Shared-cost agreements | 1,099 | | | 1,099 |
| | *12,830,972* | *68,768,328* | *67,516,748* | *14,082,552* |
| Health | | | | |
| Collaborative research projects | 2,115,532 | 585,094 | 371,010 | 2,329,616 |
| Miscellaneous federal-provincial projects | 1,207,040 | 279,608 | 272,946 | 1,213,702 |
| World Health Organization | 104,515 | | | 104,515 |
| Public Health Agency of Canada | | | | |
| Collaborative research projects | 805,387 | 91,383 | 360,755 | 536,015 |
| Miscellaneous federal-provincial projects | 1,134,082 | | 110,667 | 1,023,415 |
| | *5,366,556* | *956,085* | *1,115,378* | *5,207,263* |
| Human Resources and Skills Development | | | | |
| Federal-provincial shared-cost project[7] | 2,503,734 | 23,915,231 | 23,840,405 | 2,578,560 |
| Federal-provincial shared-cost project – Interprovincial Computerized Examination Management System (ICEMS) | 1,389,371 | 980,408 | 767,642 | 1,602,137 |
| Labour standards stopiew account | 1,378,833 | 70,186 | 2,681 | 1,446,338 |
| Provincial funding for collaborative arrangement – Labour Market Development Agreement (LMDA)-Ontario[3] | 30,780,064 | 470,824,719 | 458,629,669 | 42,975,114 |
| | *36,052,002* | *495,790,544* | *483,240,397* | *48,602,149* |
| Indian Affairs and Northern Development | | | | |
| Indian special accounts | 383,842 | 2,487 | 2,487 | 383,842 |
| Indian band funds | | | | |
| Shares and certificates | 20,000 | | | 20,000 |
| Less: securities held in trust | 20,000 | | | 20,000 |
| Indian compensation funds | 222,340 | | | 222,340 |
| Indian moneys suspense account | 46,922,700 | 13,798,003 | 26,481,585 | 34,239,118 |
| Non-Indian moneys | 584,261 | 7,874,309 | 7,968,207 | 490,363 |
| | *48,113,143* | *21,674,799* | *34,452,279* | *35,335,663* |

**TABLE 6.36**

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Industry | | | | |
| Canada/Provinces Business Service Centre | 97,716 | 400,000 | 400,000 | 97,716 |
| Income from securities in trust—Bankruptcy and Insolvency Act | 52,031 | | | 52,031 |
| Petro-Canada Enterprises Inc—Unclaimed shares | 961,014 | | 270,903 | 690,111 |
| Securities in trust—Bankruptcy and Insolvency Act | 31,266 | | | 31,266 |
| Less: securities held in trust | 31,266 | | | 31,266 |
| Shared-cost/joint project agreements—Research | 60,464 | | 15,717 | 44,747 |
| Shared-cost projects | 849,395 | 1,344,096 | 934,558 | 1,258,933 |
| Unclaimed dividends and undistributed assets | | | | |
| Bankruptcy and Insolvency Act | 15,109,136 | 3,439,636 | 1,221,592 | 17,327,180 |
| Canada Business Corporations Act | 7,306,287 | 574,933 | 335,965 | 7,545,255 |
| Winding-up Act | 726,572 | | | 726,572 |
| Canadian Space Agency | | | | |
| Radarsat | 104,300 | | | 104,300 |
| Social Sciences and Humanities Research Council | | | | |
| Trust fund | 2,150 | | 2,150 | |
| Statistics Canada | | | | |
| Project deposits | 14,450,070 | 103,155,274 | 111,236,969 | 6,368,375 |
| | *39,719,135* | *108,913,939* | *114,417,854* | *34,215,220* |
| Justice | | | | |
| Courts Administration Service | | | | |
| Special account | 13,943,931 | 1,824,730 | 11,101,626 | 4,667,035 |
| National Defence | | | | |
| Foreign governments | | | | |
| United Kingdom | | | | |
| British Army—Suffield, Alberta | 22,088,926 | 84,296,709 | 76,109,920 | 30,275,715 |
| Wainwright, Alberta | 1 | | | 1 |
| Other activities | 435,242 | 36,027 | | 471,269 |
| Federal Republic of Germany | | | | |
| German Army—Shilo, Manitoba | 215,938 | 25,170,818 | 25,170,819 | 215,937 |
| Other activities | 923,337 | | 923,337 | |
| Netherlands | 1,486,229 | | 42,734 | 1,443,495 |
| Italian Air Force Training | | 9,098 | | 9,098 |
| Air projects | 3,819,728 | 401,689 | | 4,221,417 |
| Security | 1,502,254 | 1,118,405 | 1,328,200 | 1,292,459 |
| NATO Flying Training Centre | 14,543,779 | | 14,543,779 | |
| Assistant Deputy Minister (Materiel) | | 544,175 | | 544,175 |
| | *45,015,434* | *111,576,921* | *118,118,789* | *38,473,566* |
| Joint research and development projects | 9,101,388 | 1,552,957 | 1,373,891 | 9,280,454 |
| Non-government agencies | 2,849,783 | 224,629 | 747,645 | 2,326,767 |
| North Atlantic Treaty Organization (NATO) | | | | |
| Infrastructure projects | 6,618,109 | | | 6,618,109 |
| The Military Museum (formerly Museum of the Regiments) | 3,966,297 | 1,300,000 | 4,890,493 | 375,804 |
| | *67,551,011* | *114,654,507* | *125,130,818* | *57,074,700* |
| Natural Resources | | | | |
| Market development incentive payments—Alberta | 4,790,934 | 4,790,933 | 4,890,933 | 4,690,934 |
| Newfoundland Offshore Revenue Account | | 1,564,993,085 | 1,564,993,084 | 1 |
| Nova Scotia Offshore Revenue Account | | 460,212,274 | 460,212,274 | |
| Shared-cost agreements—Research | 2,409,955 | 5,774,636 | 6,841,869 | 1,342,722 |
| Shared-cost projects | 11,164,410 | 16,065,184 | 15,167,645 | 12,061,949 |
| Canadian Nuclear Safety Commission | | | | |
| Security equipment purchases | 149,355 | 183,261 | 291,158 | 41,458 |
| Joint projects | | 140,000 | 140,000 | |
| | *18,514,654* | *2,052,159,373* | *2,052,536,963* | *18,137,064* |

**TABLE 6.36**

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

| | April 1/2007 | Receipts and other credits | Payments and other charges | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Privy Council | | | | |
| Shared-cost projects—Media travel expenses | 919,934 | 447,101 | 401,348 | 965,687 |
| Public Safety and Emergency Preparedness | | | | |
| Joint research and development projects | 2,048,335 | 275,658 | 953,894 | 1,370,099 |
| Royal Canadian Mounted Police | | | | |
| Joint research and development projects | 1,707,640 | | 196,873 | 1,510,767 |
| Seized assets—Canadian funds | 647,716 | 250 | | 647,966 |
| | *4,403,691* | *275,908* | *1,150,767* | *3,528,832* |
| Public Works and Government Services | | | | |
| Credit card—Special project fund | 1,000,000 | | 75,008 | 924,992 |
| Francophone Summits | 29,329 | | 11,011 | 18,318 |
| Military purchases excess funds deposit | 226,970,858 | | 97,373,531 | 129,597,327 |
| Less: securities held in trust | 226,970,858 | 97,373,531 | | 129,597,327 |
| | | *97,373,531* | *97,373,531* | |
| | *1,029,329* | *97,373,531* | *97,459,550* | *943,310* |
| Transport | | | | |
| Crown Corporation Trusts—Donations | 100 | | | 100 |
| Veterans Affairs | | | | |
| Shared-cost agreements | 14,123 | 323,841 | 327,500 | 10,464 |
| Western Economic Diversification | | | | |
| Jobs and economic restoration initiative | 8,237 | 15 | 8,252 | |
| Total | 822,876,611 | 4,200,133,106 | 4,376,067,913 | 646,141,804 |
| Less: consolidation adjustment[2] | 24,347,738 | | 13,017,286 | 37,365,024 |
| Total other accounts | 797,728,873 | 4,200,133,106 | 4,389,085,199 | 608,776,780 |
| Total other specified purpose accounts | 3,479,383,906 | 4,497,971,117 | 4,561,571,902 | 3,415,783,121 |

(1) Opening balances have been adjusted to conform to the current year's presentation.
(2) Additional information on consolidated Crown corporations and other entities is provided in Section 4 of this volume.

### Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate, of various insurance companies for which the Superintendent of Financial Institutions is the court appointed liquidator.

### Civil service insurance fund

This account was established by the *Civil Service Insurance Act*, introduced to enable the Minister of Finance to contract with a person appointed to a permanent position in any branch of the public service, for the payment of certain death benefits. No new contracts have been entered into since 1954, when the Supplementary Death Benefit Plan for the Public Service and Canadian Forces was introduced as part of the *Public Service Superannuation Act* and the *Canadian Forces Superannuation Act*, respectively. As of April 1st, 1997, the Department of Human Resources and Skills Development (Human Resources and Skills Development) assumed responsibility for the administration and the actuarial valuation of the *Civil Service Insurance Act*.

The number of policies in force as of March 31, 2008 was 1,254 and the average age of the policyholders was 88.4 years. During the year, premiums of $2,463 were received. Death benefits, settlement annuities and premium refunds of $233,220 were paid during 2007-2008.

According to the actuarial valuation and with the prescribed actuarial assumptions, the liabilities in respect of the benefits provided under the Act are estimated at $5,965,626 as at March 31, 2008. The balance in the Account as at March 31, 2008 is $5,897,397. The deficit as at March 31, 2008 is therefore $68,229. Pursuant to subsection 16(3) of the Civil Service Insurance Regulations, an amount of $68,229 has therefore been credited to the Account in 2007-2008.

### Regular force death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members and former members of the Canadian Forces. Receipts and other credits consist of: *(a)* contributions by participants; *(b)* Government's contribution paid in respect of participants; *(c)* single premiums payable by the Government in respect of participants who became entitled to a basic benefit of $5,000 without contribution; and, *(d)* interest.

Payments and other charges consist of: *(a)* benefits paid in respect of participants; *(b)* benefits paid in respect of elective; and, *(c)* the portion of benefit payable for which a single premium has been paid by the Government.

**TABLE 6.37**

REGULAR FORCE DEATH BENEFIT ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 196,642,116 | 197,232,360 |
| RECEIPTS AND OTHER CREDITS | | |
| Contributions by personnel | 14,877,752 | 14,387,885 |
| Government's contribution | 7,087,870 | 7,171,079 |
| Single premiums payable by the Government in respect of regular force participants who became entitled to a basic benefit of $5,000 without contribution | 587,652 | 584,609 |
| Interest | 13,908,051 | 14,347,176 |
| | 31,360,525 | 31,489,869 |
| | 228,022,641 | 228,722,229 |
| PAYMENTS AND OTHER CHARGES | | |
| Benefits paid in respect of participants who, at the time of death, were members of the regular force, or who were elective regular force participants | 31,310,645 | 32,080,113 |
| Closing balance | 196,711,996 | 196,642,116 |

### Public Service death benefit account

This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

The account is credited with: *(a)* contributions by employees; *(b)* contributions by the Government and Public Service corporations; and, *(c)* interest. Payments and other charges represent: *(a)* benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*; and, *(b)* benefits of $10,000 paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*, and on whose behalf a single premium for $10,000 death benefit coverage for life has been made.

**TABLE 6.38**

PUBLIC SERVICE DEATH BENEFIT ACCOUNT

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | $ | $ |
| Opening balance | 2,442,941,725 | 2,322,941,560 |
| RECEIPTS AND OTHER CREDITS | | |
| Contributions | | |
| Employees | | |
| Government and Public Service corporations | 76,769,559 | 72,512,081 |
| Government | | |
| General | 8,190,526 | 8,043,969 |
| Single premium for $10,000 | 1,662,946 | 1,550,798 |
| Public Service corporations | 1,022,750 | 958,875 |
| Interest | 176,473,318 | 173,111,983 |
| | 264,119,099 | 256,177,706 |
| | 2,707,060,824 | 2,579,119,266 |
| PAYMENTS AND OTHER CHARGES | | |
| Benefit payments | | |
| General | 97,786,749 | 96,182,163 |
| Life coverage for $10,000 | 38,764,647 | 39,677,968 |
| Other death benefit payments | 469,685 | 317,410 |
| | 137,021,081 | 136,177,541 |
| Closing balance | 2,570,039,743 | 2,442,941,725 |

### Returned soldiers' insurance fund

This fund was established by the *Returned Soldiers' Insurance Act*, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 2007 of $6,268 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was August 31, 1933.

### Veterans insurance fund

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 2007 of $150,570 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was October 31, 1968.

### Annuities agents' pension account

This account was established by Vote 181, *Appropriation Act No. 1, 1961*, to provide pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

### Dependants' pension fund

This fund, which pertains to Part IV of the *Royal Canadian Mounted Police Pension Continuation Act*, provides pension benefits to certain widows and other dependants of contributing members of the Royal Canadian Mounted Police. The fund is credited with a 5 percent contribution from the pay of members of the Force (other than commissioned officers) who are subject to the *Pension Continuation Act*. There are no longer any active members amongst the contributors.

### AgriInvest Program

On March 9, 2007, The Prime Minister announced the Government's intent to pursue agreement with the provinces and territories on a producer savings account program that would replace the coverage for small income declines provided by the Canadian Agricultural Income Stabilization (CAIS) program.

On June 29, 2007, Federal-Provincial-Territorial Ministers of Agriculture agreed in *Growing Forward*, a bold market-driven vision for Canada's agriculture, agri-food and agri-based products industry. *Growing Forward* includes a new suite of business risk management programs that are more responsive, predictable and bankable for producers.

The new suite of business risk management programs were established under the *Farm Income Protection Act* and include the following:

• AgriInvest: A producer savings account program to help cover small margin declines.

• AgriStability: A program design to cover larger margin declines caused by circumstances such as low prices, production losses, and rising input costs.

• AgriInsurance: A program that includes exixting production insurance that offer protection for production losses by uncontrollable weather related perils and is being expanded to include other commodities.

• AgriRecovery: A disaster relief framework providing a coordinated process for federal, provincial and territorial governments to respond to disasters and help producers quickly.

The AgriInvest and AgriStability programs were set to replace CAIS starting with the 2007 program year.

In 2007 budget, $600 million was committed to kick-start AgriInvest Kickstart accounts. This is a one-time short term federal program. This initiative is a special measure designed to provide a federal payment to all eligible producers in the form of initial contributions to their accounts. Thereafter, each year AgriInvest account holders can deposit up to 1.5 percent of their Allowable Net Sales (i.e. Sales of eligible commodities less Purchases of eligible commodities) into their accounts and receive a matching contribution from the federal and provincial governments.

AgriInvest and AgriStability programs are cost-shared with provinces and territories on a 60/40 basis. The provinces and territories are invoices for their share of the contributions which are held in the specified purpose accounts. The specified purpose accounts are drawn down as AgriInvest account holders request withdrawals.

### Canadian Agricultural Income Stabilization

On December 11, 2003, the Minister of Agriculture and Agri-Food Canada announced that the Agricultural Policy Framework (APF) has received the necessary signatures required for the implementation. This resulted in the launching of the Canadian Agricultural Income Stabilization (CAIS) program and the ending of the Net Income Stabilization Account (NISA) program after the 2002 stabilization year.

This NISA program was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the Net Income Stabilization Account Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into an account held at a participating financial institution, and receive matching contributions from the federal and provincial governments.

The federal government and the provinces have approved the wind down of the NISA program at the end of the 2002 stabilization year. Participants will then have a maximum of five years, with minimum of 20 percent annual withdrawals of the balance of their accounts, to withdraw their funds from the Program.

The CAIS program is designed to help producers protect their farming operation from both small and large drops in income. In general, individuals or entities that derive income from primary production of agricultural commodities, as defined by the program, are eligible to participate in the CAIS program. The CAIS program and Production Insurance are the two main programs under the Business Risk Management component of the APF.

The program payments are based on declines in reference margins and are shared 60/40 with the provinces for which the Administration delivers. The provinces are invoiced by the Administration for their 40 percent share of the contributions which are held in a specified purpose account and drawn down as applications are processed.

An amendment was ratified where the deposit was eliminated and replaced with a fee beginning with the 2006 program year. The fee is more affordable and does not require producers to the up working capital.

The CAIS program ends with the delivery of the 2006 program year benefits.

The account records the following transactions relating to the Consolidated Revenue Fund:

*(a)* Government matching contributions on NISA participant matchable deposits. For the 2002 stabilization year, with the exception of Alberta, the federal and provincial governments provided base matching contributions equal to two thirds and one third, respectively of participant matchable deposits. The federal Government contributed the full 3 percent for Alberta;

*(b)* interest paid by the federal Government on NISA funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;

*(c)* interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;

*(d)* the provincial share of CAIS funds received to cost/share payments to producers; and,

*(e)* the fee received from producers.

### Shared-cost agreements—Canadian Food Inspection Agency

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

### Federal/provincial agreement—Advance account

This account was established to record deposits from non-federal partners for their share of costs under various projects. Monies are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

### Deposits/Disbursements—Worker's Compensation Board

This account was established under the authority of the *Canada Revenue Agency Act* and the *Worker's Compensation Act*, to enable the Canada Revenue Agency to record and forward on daily basis, funds received from Nova Scotia employers to the Worker's Compensation Board of Nova Scotia, as part of a partnership arrangement between the Agency and the Board.

### Miscellaneous projects deposits—Canadian Heritage

This account was established to record contributions received from organizations and individuals for various projects.

### Special Operating Account

This account was established pursuant to section 18 of the *Library and Archives of Canada Act*, which also directed that *(a)* the account be credited with all monies received for the purpose of the Library and Archives Canada by way of donation, bequest or otherwise and *(b)* any amounts required for the purpose of the Act may be paid out of the account or out of money appropriated by Parliament for such purposes.

### Advance account—Telefilm Canada

This account was established pursuant to section 19 of the *Telefilm Canada Act*, to reserve for use in future years moneys generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

### Immigrant investor program

This account was established to record the receipt and disbursement of amounts received under the Immigrant Investor Program in accordance with section 12(2) of the *Immigration and Refugee Protection Act* and section 91(d) of the Immigration and Refugee Protection Regulations. This program allows qualified immigrants to gain permanent residence in Canada by making an investment in the Canadian economy.

### Miscellaneous projects deposits—Environment

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

### Miscellaneous projects deposits—Parks Canada Agency

This account was established to record contributions received from organizations and individuals for various projects.

### Common school funds—Ontario and Quebec

This account was established under *12 Victoria 1849*, Chapter 200, to record the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of $133,889, apportioned on the basis of population, is paid directly to these provinces on a semi-annual basis, at the rate of 5 percent per annum, and is charged to interest on the public debt.

### Foreign claims fund

This account was established by Vote 22a, *Appropriation Act No. 9, 1966*, to record: *(a)* such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, *(b)* all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

### War claims fund—World War II

This account was established by Vote 696, *Appropriation Act No. 4, 1952*, to record moneys received from the Custodian of Enemy Property or from other sources, and payments: *(a)* to eligible claimants for compensation in respect of World War II; *(b)* of a supplementary award amounting to 50 percent of the original award (PC 1958-1467, October 23, 1958); and, *(c)* of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto.

### Federal/provincial cost-sharing agreements

This account was established to record the deposit of moneys received from the provinces for cost-shared programs according to official signed agreements.

### Miscellaneous projects deposits—Fisheries and Oceans

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

**Sales of seized assets**

The account was established to record the proceeds of the sale of seized items by the Department of Fisheries and Oceans from a person contravening the *Fisheries Act*. Monies so received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

**Canada Foundation account**

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record monies received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

**Financial assistance to Canadians abroad**

This account was established to record monies received from families or friends as prepayment for financial assistance to distressed Canadians abroad.

**Funds from non-governmental organizations**

This account was established to record monies received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

**Shared-cost projects—Foreign Affairs and International Trade**

This account was established to record monies received from organizations outside the Government of Canada accounting entity for shared-cost projects.

**Shared-cost projects—Support to education programs (formerly Shared-cost projects—International conferences)**

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects to support programs in the education sector.

**Shared-cost agreements—NAFTA Secretariat, Canadian Section**

This account was established to record monies received from the United States and the Mexican Section of the NAFTA Secretariat, for the development and administration of common information management systems.

**Collaborative research projects—Health**

This account was established to record funds received from client groups for cost shared and joint project research agreements.

**Miscellaneous federal/provincial projects—Health**

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial/territorial projects which address health issues which are national in scope.

**World Health Organization**

This account was established to record funds received from the World Health Organization, for scientific projects.

**Collaborative research projects—Public Health Agency of Canada**

This account was established to record funds received from client groups for cost shared and joint project research agreements.

**Miscellaneous federal/provincial projects—Public Health Agency of Canada**

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial/territorial projects which address health issues which are national in scope.

**Federal/provincial shared-cost project—Human Resources and Skills Development**

This account was established to record the deposit of advance payments made by provinces towards the costs of projects and programs for which there is a cost-sharing agreement with the federal Government. Disbursements are made to pay the provinces' share of costs per official agreements or to refund unused amounts.

**Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)**

This account was established to record advance payments received from provincial governments to cover their share of the costs of the ICEMS Project. Advance payments are made pursuant to the ICEMS Framework Agreement. The costs incurred are charged to the account and any unexpended funds will be returned to provinces at the end of the project.

**Labour standards suspense account**

This account was established under the authority of section 23 of the Canada Labour Standards Regulations to record wages received by the Minister of Labour from employers who cannot locate employees. Efforts are then made to locate employees. Wages are paid out when employees are located or when employees contact the department for payment.

### Provincial funding for collaborative arrangement —Labour Market Development Agreement (LMDA) - Ontario

This account was established to record deposits of payments from the province of Ontario to Human Resources and Skills Development under LMDA. The funding provided by the Province of Ontario is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

### Indian special accounts

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purpose and include the following:

*(a)* Quebec fur account—This account was established to record moneys received from the sales of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for tallymen's wages, freight costs, etc.

*(b)* Off-reserve housing program—Personal Contributions—This account was established to record personal contributions held in trust until paid to the vendor, builder or legal representative.

*(c)* Fines— Indian Act—Fines collected as defined in section 104 of the *Indian Act*, are credited to this account for the benefit of the bands or members of the bands. Expenditures may be made per the direction of the Governor in Council to cover certain costs in the administration or promotion of the purpose of the relative law.

### Indian band funds—Shares and certificates

This account was established under the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares received as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

### Indian compensation funds

This holding account was established to record moneys received from the sales of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

### Indian moneys suspense account

This account was established to hold moneys received for individual Indians and bands, that cannot be disbursed to an Indian, or credited to an Indian Band Fund or Individual Trust Fund account, pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient.

### Non-Indian moneys

This account was established to collect "Provincial Mineral Revenues" on behalf of the Province of Saskatchewan and remit the same in the manner as described in an agreement between the two parties. The collection and remittance arrangement is anticipated to terminate upon the expiry or forfeiture of all Replacement Mineral Dispositions or earlier if the Disposition Holders decide to stop drilling. All revenue moneys collected, received or held by the Crown for the use and benefit of the First Nations or its members cease to be Indian moneys and must be transferred to the First Nations. Monies must be held separately in a non-Indian moneys account. This account is interest bearing.

### Canada/Provinces Business Service Centre

This account was established to record monies received from other provinces under cost-sharing agreements for the Canada-Ontario Business Service Centre.

### Income from securities in trust—Bankruptcy and Insolvency Act

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safekeeping.

### Petro-Canada Enterprises Inc—Unclaimed shares

This account was established by Section 227 of the *Canada Business Corporation Act* to record the liability to shareholders who have not presented their shares for payment.

### Securities in trust—Bankruptcy and Insolvency Act

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

### Shared-cost/joint project agreements—Research

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

### Shared-cost projects—Industry

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

**Unclaimed dividends and undistributed assets—Bankruptcy and Insolvency Act**

This account represents amounts credited to the Receiver General in accordance with the provisions of section 154 of the *Bankruptcy and Insolvency Act*, pending distribution to creditors.

**Unclaimed dividends and undistributed assets—Canada Business Corporations Act**

This account was established in accordance with sections 227 and 228 of the *Canada Business Corporations Act*, for the purpose of recording liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

**Unclaimed dividends and undistributed assets—Winding-up Act**

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up Act*, pending distribution.

**Radarsat**

This account was established to record moneys received for both cost-sharing and advance payments for Radarsat scenes.

**Trust fund—Social Sciences and Humanities Research Council**

This account was established to record funds available for social sciences and humanities research activities, as well as receipts of private donations for the purpose of special projects.

**Project deposits—Statistics Canada**

This account was established to record deposits received from outside parties to secure payments for special statistical services.

**Special account—Courts Administration Service**

This account was established to maintain accounts on behalf of litigants before the Federal Court and Federal Court of Appeal. These accounts record the moneys paid into the Federal Court and Federal Court of Appeal, pursuant to an order of the Courts, rules of the Courts or statutes, to be held pending payment of such moneys, in accordance with an order/judgment of these Courts.

**Foreign governments**

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

**Joint research and development projects—National Defence**

This account was established to record funds received from the private sector through collaborative relationships where the work is shared between the government and the private sector laboratory.

**Non-government agencies**

This account was established to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

**North Atlantic Treaty Organization (NATO)—Infrastructure projects**

These accounts were established to record funds received from NATO to cover *(a)* NATO infrastructure projects implemented by Canada, and, *(b)* other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

**The Military Museum (formerly Museum of the Regiments)**

The account was established to manage donations made to National Defence by interested parties for renovations to the existing structure and construction of a new wing to The Military Museum located in Calgary, Alberta.

**Market development incentive payments—Alberta**

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in Alberta and provinces to the East, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981 and pursuant to section 39 of the *Energy Administration Act*. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, payments from the Government of Alberta terminated as at April 30, 1986, however, payments are being made from the account for selected programs which encourage the use of natural gas for vehicles.

**Newfoundland Offshore Revenue Account**

This account was established pursuant to section 214 of the *Canada-Newfoundland Atlantic Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Newfoundland offshore area with the Province of Newfoundland. Through statutory provisions of the Act, an amount equal to certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Newfoundland are charged thereto.

### Nova Scotia Offshore Revenue Account

This account was established pursuant to section 219 of the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Nova Scotia offshore area with the Province of Nova Scotia. Through statutory provisions of the Act, an amount equal to certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Nova Scotia are charged thereto.

### Shared-cost agreements—Research—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private industries and other governments for joint projects or shared-cost research agreements.

### Shared-cost projects—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private organizations and other governments for cost-sharing scientific projects.

### Security equipment purchases

Funds deposited in this account by licensees are used to provide for payment of purchases of security equipment for the licensees' facilities in accordance with security arrangements mandated pursuant to the *Nuclear Safety and Control Act*.

### Joint projects

The purpose of this account is to hold funds provided by the International Atomic Energy Agency (IAEA). These funds are expended towards joint Canadian Nuclear Safety Commission (CNSC) and International Atomic Energy Agency (IAEA) project, pursuant to the *Nuclear Safety and Control Act* and Canada's International Obligations under Safeguards.

### Shared-cost projects—Media travel expenses

This account record medias' (non-governmental organizations) reimbursements for travel arrangement services rendered to them.

### Joint research and development projects—Public Safety and Emergency Preparedness

This account was established to record funds received to conduct joint research and development projects.

### Joint research and development projects—Royal Canadian Mounted Police

This account was established to record monies received from other government organizations in order to share costs incurred under various research project agreements.

### Seized assets—Canadian funds

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

### Credit card—Special project fund

This account was established to record funds received from American Express (AMEX) to improve the Travel Card Program.

### Francophone Summits

This account was established to record funding granted since 1994 by the "Agence intergouvernementale de la Francophonie (Paris)", which changed its name in 2006 to the "Organisation internationale de la Francophonie", for projects involving the development of French and partner languages in order to express scientific and technical modernity.

### Military purchases excess funds deposit

This account was established by a written agreement between Canada and the United States, to record temporarily unused funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

### Crown Corporation Trusts—Donations

This account was established to record, on a temporary basis, *(a)* donations intended for the development and operations of the Downsview Park, Toronto; and, *(b)* donations from private sector entities to support the Old Port of Montreal.

### Shared-cost agreements—Veterans Affairs

This account was established to record transactions relating to share of costs incurred under federal/provincial cost-sharing agreements and funding for research and other projects at Sainte Anne's Hospital.

### Jobs and economic restoration initiative

This account was established through a federal-provincial cost-shared program designed to help prevent permanent job loss in flood affected areas and to restore economic activity.

# SUPPLEMENTARY STATEMENTS

## Canada Pension Plan

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements of the Canada Pension Plan have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, by the management of Human Resources and Social Development Canada (the Department).

Management is responsible for the integrity and objectivity of the information in the financial statements, including the amounts which must, of necessity, be based on best estimates and judgement. The financial information presented throughout the *Annual Report* is consistent with the financial statements.

In support of its responsibilities, management has developed and maintains systems of internal control and supporting procedures. They are designed to provide reasonable assurance that assets are safeguarded, recorded and properly maintained and transactions are properly authorized and are in accordance with the *Canada Pension Plan Act*, the *Financial Administration Act* and accompanying regulations. These controls include the establishment of an organizational structure that provides a well defined division of responsibilities and accountability, the selection and training of qualified staff, and the communication of policies and guidelines throughout the organization. Internal controls are reviewed and evaluated by both internal and external auditors in accordance with their respective audits. Management also reviews the recommendations of its internal and external auditors for improvements in internal controls.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, has conducted an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and has reported to the Minister of Human Resources and Social Development.

JANICE CHARETTE
*Deputy Minister*
*Human Resources and*
*Social Development Canada*

BRUCE MANION, FCMA
*Chief Financial Officer*
*Human Resources and*
*Social Development Canada*

September 5, 2008

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SOCIAL DEVELOPMENT

I have audited the consolidated statement of net assets of the Canada Pension Plan as at March 31, 2008 and the consolidated statements of changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the management of Human Resources and Social Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets of the Canada Pension Plan as at March 31, 2008 and the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
September 5, 2008

## Canada Pension Plan—*Continued*

CANADA PENSION PLAN

CONSOLIDATED STATEMENT OF NET ASSETS
AS AT MARCH 31
(in millions of dollars)

| | 2008 | 2007 |
|---|---|---|
| Assets | | |
| Cash (Note 8) | 109 | 56 |
| Receivables (Note 7) | 4,264 | 3,469 |
| Investments (Schedule, Note 3) | 126,454 | 118,094 |
| Amounts receivable from pending trades | 4,471 | 2,477 |
| Other assets | 26 | 15 |
| | 135,294 | 124,111 |
| Liabilities | | |
| Accounts payable | 171 | 148 |
| Pensions and benefits payable | 161 | 74 |
| Tax deductions due to Canada Revenue Agency | 110 | 100 |
| Investment liabilities (Schedule, Note 3) | 1,694 | 1,382 |
| Amounts payable from pending trades (Schedule, Note 3) | 6,473 | 2,576 |
| | 8,509 | 4,280 |
| Net assets | 126,785 | 119,831 |

Commitments (Note 12)
Contingencies (Note 13)

The accompanying notes and consolidated schedule are an integral part of these consolidated financial statements.

Approved by:

JANICE CHARETTE
*Deputy Minister*
*Human Resources and*
*Social Development Canada*

BRUCE MANION, FCMA
*Chief Financial Officer*
*Human Resources and*
*Social Development Canada*

**Canada Pension Plan**—*Continued*

CANADA PENSION PLAN

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31
(in millions of dollars)

| | 2008 | 2007 |
|---|---|---|
| Net assets, beginning of year | 149,831 | 131,121 |
| Increase | | |
| Contributions | 35,346 | 32,395 |
| Net investment income (loss) (Note 9) | | |
| Realized gains | 5,783 | 9,540 |
| Unrealized losses | (8,013) | (567) |
| Interest income | 1,668 | 1,988 |
| Dividend income | 2,383 | 1,606 |
| Other income | 268 | 417 |
| Transaction costs | (113) | |
| Investment management fees | (251) | (251) |
| | (1,075) | 12,733 |
| | 34,271 | 45,128 |
| Decrease | | |
| Pensions and benefits | | |
| Retirement | 19,838 | 18,679 |
| Survivor | 5,661 | 5,571 |
| Disability | 3,403 | 3,237 |
| Disabled contributor's child | 774 | 773 |
| Death | 271 | 260 |
| Orphan | 217 | 216 |
| Net overpayments | (79) | (125) |
| | 30,085 | 28,611 |
| Operating expenses (Note 10) | 509 | 518 |
| | 30,594 | 29,129 |
| Net increase in net assets | 3,677 | 15,999 |
| Net assets, end of year | 153,508 | 147,120 |

The accompanying notes and consolidated schedule are an integral part of these consolidated financial statements.

**Canada Pension Plan**—*Continued*

CANADA PENSION PLAN

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31
(in millions of dollars)

| | 2008 | 2007 |
|---|---|---|
| Operating activities | | |
| Cash receipts | | |
| Contributions | 34,551 | 32,107 |
| Interest on investments | 2,230 | 2,197 |
| Dividends on investments | 2,377 | 1,525 |
| Other investment income | 218 | 311 |
| Cash payments | | |
| Pensions and benefits | (27,440) | (26,151) |
| Operating expenses | (624) | (437) |
| Investment management fees | (216) | (37) |
| Transaction costs | (107) | |
| Cash flows from operating activities | 10,989 | 9,515 |
| Financing activities | | |
| Issuance of debt | 5 | 703 |
| Repayment of debt | (146) | (235) |
| Payment of interest on debt | (67) | (64) |
| Cash flows from (used in) financing activities | (208) | 404 |
| Investing activities | | |
| Purchases | | |
| Equities | (136,650) | (81,422) |
| Inflation-sensitive investments | (4,318) | (4,834) |
| Fixed income investments | (9,055) | (6,011) |
| Money market securities | (307,626) | (294,842) |
| Other debt | (1,166) | |
| Absolute return strategies | (1,452) | |
| Premises and equipment | (14) | (9) |
| Disposals | | |
| Equities | 130,359 | 81,532 |
| Inflation-sensitive investments | 3,529 | 2,066 |
| Fixed income investments | 10,365 | 3,520 |
| Money market securities | 305,019 | 289,982 |
| Other debt | 6 | |
| Absolute return strategies | 275 | |
| Cash flows used in investing activities | (10,728) | (10,018) |
| Net increase (decrease) in cash | 53 | (99) |
| Cash at beginning of year | 56 | 155 |
| Cash at end of year | 109 | 56 |

The accompanying notes and consolidated schedule are an integral part of these consolidated financial statements.

## Canada Pension Plan—*Continued*

CANADA PENSION PLAN

CONSOLIDATED SCHEDULE OF INVESTMENTS
AS AT MARCH 31
(in millions of dollars)

| | 2008 | 2007 |
|---|---|---|
| Equities | | |
| Canada | | |
| Public equities | 17,276 | 14,800 |
| Private equities | 644 | 667 |
| | 17,920 | 15,467 |
| Foreign | | |
| Public equities | 30,966 | 36,656 |
| Private equities | 12,820 | 7,436 |
| | 43,786 | 44,092 |
| Total equities | 61,706 | 59,559 |
| Fixed income | | |
| Bonds (Note 3c) | 27,192 | 28,481 |
| Other debts | 1,144 | |
| Money market securities | 18,798 | 15,561 |
| Total fixed income | 47,134 | 44,042 |
| Absolute return strategies | 1,547 | 260 |
| Inflation sensitive investments | | |
| Public real estate | 588 | 1,409 |
| Private real estate | 7,421 | 5,441 |
| Inflation-linked bonds | 3,962 | 3,802 |
| Infrastructure | 2,776 | 2,181 |
| Total inflation sensitive investments | 14,647 | 12,833 |
| Investment receivables | | |
| Accrued interest | 661 | 714 |
| Derivatives receivables | 560 | 519 |
| Dividends receivables | 169 | 167 |
| Total investment receivables | 1,390 | 1,400 |
| Total investments and investments receivable | 126,424 | 118,094 |
| Investments liabilities | | |
| Debt on private real estate properties | (980) | (1,174) |
| Derivatives liabilities | (714) | (208) |
| Total investments liabilities | (1,694) | (1,382) |
| Amounts receivable from pending trades | 4,471 | 2,477 |
| Amounts payable from pending trades | (6,423) | (2,576) |
| Net investments | 122,778 | 116,613 |

**Canada Pension Plan**—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

1. Description of the Canada Pension Plan

*(a)* Description of the Canada Pension Plan

The Canada Pension Plan (CPP) is a federal/provincial plan established by an Act of Parliament in 1965.

The CPP began operations in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates the Régime de rentes du Québec, a comparable program. The Plan's objective is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death.

The Canada Pension Plan Investment Board (CPPIB) was established pursuant to the *Canada Pension Plan Investment Board Act*. The CPPIB is a federal Crown corporation, all of its shares are owned by Her Majesty the Queen in right of Canada.

The Minister of Human Resources and Social Development is responsible for the administration of the *Canada Pension Plan* (under the *CPP Act*); the Minister of National Revenue is responsible for collecting contributions. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates, pension and benefit levels and funding policy. The CPP Investment Board (CPPIB) is responsible for managing amounts that are being transferred under Section 108.1 of the *Canada Pension Plan* act and interest on any debt securities transferred to the Board. It acts in the best interests of the beneficiaries and contributors under the Act.

In accordance with the *CPP Act*, the financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 8). Starting on April 1, 2007, the Plan's investments are held by the CPP Investment Board, when the CPP Investment Fund ceased to exist (Note 4). The financial transactions affecting the Account are governed by the *CPP Act* and regulations. The Investment Board's transactions are governed by the *Canada Pension Plan Investment Board Act* and the accompanying regulations. The CPP Investment Board's assets are to be invested with a view to achieve a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and its ability to meet its financial obligations on any given business day.

The CPP Investment Board and its subsidiaries are exempt from Part I income tax under paragraphs 149(1)(d) and 149 (1)(d.2) of the *Income Tax Act* (Canada) on the basis that all of the shares of the CPP Investment Board and its subsidiaries are owned by Her Majesty the Queen in right of Canada or by a corporation whose shares are owned by Her Majesty the Queen in right of Canada, respectively.

The CPP Investment Board is designed to operate at arm's length from the government. It is required to be accountable to the public, Parliament (through the federal Minister of Finance), and the provinces. It provides regular reports of its activities and the results achieved.

As stated in the *CPP* and *CPPIB Acts*, changes to these Acts require the approval of at least two-thirds of the provinces having, in the aggregate, not less than two-thirds of the population of all included provinces.

*(b)* Financing

The CPP is financed by contributions and investment returns. Employers and employees pay contributions equally to CPP. Self-employed workers pay the full amount.

The CPP was designed initially to be financed on a pay-as-you-go basis, which means that the Plan would operate on a current basis with pensions and benefits being paid out of current contributions. With changes made to the Act in 1997, CPP is now intended to be funded on a "steady-state" basis – that is, combined employer-employee contributions of 9.9 percent of pensionable earnings. While the net asset value does not cover the actuarial present value of accrued pensions and benefits, it is expected to provide a capitalization level of 25 percent of the Plan's liability by the year 2025 as per the last triennial Actuarial Report issued in 2007.

The *CPP Act* provides that an actuarial report shall be prepared every three years for purposes of the review of the financial state of the CPP by the Minister of Finance and his provincial counterparts. The most recent triennial report, the Twenty-third Actuarial Report of the Chief Actuary as at December 31, 2006, was tabled in Parliament on October 29, 2007. The report concluded that the CPP is financially sound and the 9.9 percent combined employee-employer contribution rate reached in 2003 is expected to be sufficient to sustain the Plan in the face of an aging population.

A number of assumptions such as long term rate of return on assets, inflation rate, mortality rates, increase in salary and benefit rates, among other things, were used in the Twenty-third Actuarial Report. These assumptions reflect best estimates of future economic and demographic events. The next triennial actuarial report as at December 31, 2009 is expected to be completed by December 2010.

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 — *Continued*

*(c)* Net assets of the Plan

The net assets of the Plan are composed of the deposit with the Receiver General for Canada and investments held by the CPPIB. They represent funds accumulated for the payment of pensions, benefits and operating expenses.

As at March 31, 2008, the value of net assets of the Plan is $126.8 billion (2007 – $119.8 billion). This amount represents approximately 4.6 times the total of pensions and benefits in 2008 (2007 – 4.6 times). According to the Twenty-third Actuarial Report, this is expected to grow to 5.5 times by 2019 and remain somewhat stable as the baby boom generation retires between 2015 and 2030.

*(d)* Pensions and benefits

Retirement pensions – A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25 percent of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30 percent. The maximum new monthly pension payable at age 65 in 2008 is $884.58 (2007 – $863.75).

Disability benefits – A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The amount of the disability benefit to be paid includes a flat-rate portion and an amount equal to 75 percent of the earned retirement pension. The maximum new monthly disability benefit in 2008 is $1,077.52 (2007 – $1,053.77).

Survivor's benefits – A survivor's benefit is payable to the spouse or common-law partner (the beneficiary) of a deceased contributor, according to the provisions of the Act. For a beneficiary under the age of 65, the benefit consists of a flat-rate portion and an amount equal to 37.5 percent of the deceased contributor's earned retirement pension. A beneficiary between the ages of 35 and 45 who is not disabled or who has no dependent children receives reduced benefits. For beneficiaries aged 65 and over, the benefit is equal to 60 percent of the retirement pension granted to the deceased contributor. The maximum new monthly benefit payable to a beneficiary in 2008 is $530.75 (2007 – $518.25).

Disabled contributor's child and orphan benefits – According to the provisions of the Act, each child of a contributor who is receiving disability benefits or a child of a contributor who is deceased is entitled to a benefit as long as the child is under the age of 18, or is between the ages of 18 and 25 and attending school full-time. The flat-rate monthly benefit in 2008 is $208.77 (2007 – $204.68).

Death benefits – According to the provisions of the Act, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor. The benefit amounts either to 10 percent of the maximum pensionable earnings in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 2008 is $2,500 (2007 – $2,500).

Pensions and benefits indexation – As required by the Act, pensions and benefits are indexed annually based on the Consumer Price Index for Canada. The rate of indexation for 2008 is 2.0 percent (2007 – 2.1 percent).

2. Significant accounting policies

*(a)* Basis of presentation

These financial statements are presented on a consolidated basis. They include the consolidated net assets, the consolidated changes in net assets and the consolidated cash flow of the CPF and the CPP Investment Board. These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector and conform to the disclosure and accounting requirements of the *CPP Act*.

These consolidated financial statements do not provide information on the actuarial estimates required to meet future obligations of the CPP since the *CPP Act* does not require that the pensions and benefits be pre-funded.

The CPF, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

*(b)* Changes in accounting policies

Financial Instruments

CPF uses fair value for the preparation of its consolidated financial statements. CPPIB uses the Canadian generally accepted accounting principles for the private sector. In April 2005, the Canadian Institute of Chartered Accountants (CICA) issued section 3855, Financial Instruments – Recognition and Measurement, which is effective for fiscal years beginning on or after October 1, 2006. As the CPP Investment Board qualifies as an investment company and reports its investments at fair value in accordance with Accounting Guideline 18, Investment Companies, only the recognition and fair value measurement considerations of section 3855 are applicable.

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 —*Continued*

On April 1, 2007, the CPP Investment Board prospectively adopted section 3855. These standards prescribe the quoted market price to be used in measuring the fair value of investments traded in an active market. The appropriate quoted market price for an asset held is the bid price, and for a liability held, the asking price. On April 1, 2007, the CPP Investment Board revalued the investments to reflect the new valuation standards. The change in fair value arising from the revaluation did not have a material impact to the CPP consolidated financial position and, therefore, no transition adjustment was made to the opening Net Assets at April 1, 2007. Other requirements under section 3855 are the expensing of transaction costs as incurred and applying the effective interest method in accounting for interest income on bonds starting April 1, 2007.

Management Fees

Effective April 1, 2007, the CPP Investment Board changed its accounting policy for the treatment of management fees paid to limited partnerships for private equity and infrastructure investments. In previous periods, these management fees were capitalized and recorded as part of the cost of the investment. The management fees are now expensed as incurred. This change was made to be consistent with the valuation standards in CICA section 3855, Financial Instruments, as previously discussed under the heading Financial Instruments. The change in accounting policy did not have a material impact on the current period's Consolidated Financial Statements of the CPP.

*(c)* Valuation of investments, investment receivables and investment liabilities

Investments, investment receivables and investment liabilities are recorded on a trade date basis and are stated at fair value. Fair value is an estimate of the amount of the consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

Fair value is determined as follows:

*i.* Fair value for publicly-traded equities is based on quoted market prices. Where the market price is not available or reliable, such as those for securities that are not sufficiently liquid to be used as a basis for fair value, fair value is determined using accepted industry valuation methods.

*ii.* Fair value for fund investments is based on the net asset value as reported by the external managers of the funds using accepted industry valuation methods.

*iii.* Private equity and infrastructure investments are either held directly or through ownership in limited partnership arrangements. The fair value for investments held directly is determined using accepted industry valuation methods. These methods include considerations such as earnings multiples of comparable publicly-traded companies, discounted cash flows and third party transactions, or other events that would suggest a change in the value of the investment. In the case of investments held through a limited partnership, fair value is generally determined based on carrying values and other relevant information reported by the General Partner using accepted industry valuation methods.

*iv.* Fair value for marketable bonds is based on quoted market prices. Where the market price is not available, fair value is calculated using discounted cash flows based on current market yields of instruments with similar characteristics.

*v.* Fair value for non-marketable government bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions of the bonds.

*vi.* Money market securities are recorded at cost, which, together with accrued interest income, approximates fair value.

*vii.* Fair value for public real estate investments is based on quoted market prices.

*viii.* Fair value for private real estate investments is determined using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. Debt on private real estate investments is valued using discounted cash flows based on current market yields for instruments with similar characteristics.

*ix.* Fair value for inflation-linked bonds is based on quoted market prices.

*x.* Fair value for exchange-traded derivatives, which include futures, is based on quoted market prices. Fair value for over-the-counter derivatives, which include swaps and forward contracts, is determined based on the quoted market prices for underlying instruments or other accepted industry valuation methods.

*(d)* Contributions

Contributions include CPP contributions earned for the year. The Canada Revenue Agency (CRA) collects contributions and measures them using the assessment

of tax returns. In determining the amount of contributions earned for the year, the Agency considers cash received and contributions assessed, and makes an estimate for contributions related to tax returns not yet assessed. This estimate is subject to review and adjustments. Adjustments, if any, are recorded as contributions in the year they are known.

*(e)* Investment income

Income from investments is recognized on an accrual basis and includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year, dividend income (recognized on ex-dividend date), interest income and net operating income from private real estate investments. Distributions received from limited partnerships and funds are recognized as interest income, dividend income, realized gains and losses from investments or return of capital, as appropriate.

*(f)* Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. Transaction costs are expensed as incurred and recorded as a component of net investment income.

*(g)* Translation of foreign currencies

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Investments and other monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year-end date with any resulting foreign exchange gain or loss included in net gain/loss in net investment income (see Note 9).

*(h)* Pensions and benefits

Pensions and benefits expenses are recorded when payable or reasonably estimated.

*(i)* Tax deductions due to Canada Revenue Agency

Tax deductions due to CRA consists primarily of voluntary and non-resident taxes withheld from pensions and benefit payments to CPP beneficiaries.

*(j)* Net overpayments

Net overpayments are composed of overpayments of pensions and benefits that were established during the year less remissions of debts granted.

*(k)* Operating expenses

Operating expenses are recorded in the year to which they relate.

*(l)* Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported values of assets and liabilities as at the date of the financial statements, and income and expenses during the reporting period. Significant estimates and judgments are required principally in determining the reported estimated contributions, allowance for doubtful accounts, contingencies and fair values of investments since these determinations include estimates of expected future cash flows, rates of return and the impact of future events. Actual results could differ significantly from those estimates.

*(m)* Future changes in accounting policy

Financial Instruments

In December 2006, the CICA issued section 3862, Financial Instruments – Disclosures, and section 3863, Financial Instruments – Presentation, which were effective April 1, 2008 for the CPP Investment Board. These two new sections replace the current disclosure and presentation requirements of section 3861, Financial Instruments – Disclosure and Presentation. The impact to the CPP consolidated financial statements will be increased disclosure of the nature and extent of risks arising from financial instruments.

Capital Disclosures

In December 2006, the CICA issued section 1535, Capital Disclosures, which was effective April 1, 2008 for the CPP Investment Board. Section 1535 requires an entity to disclose its objectives, policies and processes for managing capital, which for the CPP Investment Board, is its net investments. The requirements of section 1535 will not have a significant impact on the CPP consolidated financial statement disclosure.

3. Investments and investment liabilities

The CPP Investment Board has established investment policies in accordance with the CPPIB regulations which set out the manner in which their assets shall be invested. In setting the policies, the CPP Investment Board takes into consideration certain assets that are held outside of the CPP Investment Board and that are in the process of being transferred to the CPP Investment Board as set out in the following paragraph:

The *CPP Act* and an administrative agreement between Her Majesty the Queen in right of Canada and the CPP Investment Board (the "Agreement") together provide for the

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 – *Continued*

transfer of certain specified CPP assets to the CPP Investment Board. These assets consist of the portfolio of non-marketable federal, provincial and territorial bonds that were transferred to the CPP Investment Board at the rate of 1/36th every month since May 1, 2004. The last 1/36th, totalling $630 million (including $16 million of accrued interest) at fair market value as at March 31, 2007, was transferred to the CPP Investment Board on April 1, 2007 (see Note 3e).

*(a)* Derivative contracts

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indexes, interest rates or currency exchange rates. The fair value of these contracts is reported as derivative receivables and derivative liabilities on the consolidated schedule of investments. Derivative exposure generally includes the fair value adjustment plus the notional amount of the contract.

The CPP Investment Board uses the following types of derivative instruments as described below:

Swaps

Swaps include equity, bond, cross-currency interest rate, inflation-linked bond and variance swaps which are over-the-counter contractual agreements between two counterparties to exchange financial returns with predetermined conditions based on notional amounts. Swaps are used for yield enhancement purposes or to adjust exposures to certain equities, bonds, currencies, inflation-linked bonds or interest rates without directly purchasing or selling the underlying asset. Swap contracts create credit risk exposure due to the possible inability of counterparties to meet the terms of the contracts. There is also risk arising from exposure to movements in equity values, credit ratings, interest rates and foreign exchange rates, as applicable.

Futures

Futures include equity, interest rate and bond futures which are standardized contracts transacted on an exchange to purchase or sell a specified quantity of equities, interest rate sensitive financial instruments or bonds at a predetermined price and date in the future. Futures are used to adjust exposure to specified equities, interest rate sensitive financial instruments and bonds without directly purchasing or selling the underlying asset. The primary risks associated with futures contracts are related to the exposure to movements in equity values, interest rates and foreign exchange rates, as applicable. Credit risk on exchange-traded futures is limited, as these transactions are executed on regulated exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligations of both counterparties (see Note 5).

Forwards

Forward contracts include foreign exchange and interest rate forwards which are over-the-counter contractual agreements negotiated between two counterparties to either purchase or sell a specified amount of foreign currencies or interest rate sensitive financial instruments at a predetermined price and date in the future. Forward contracts are used for yield enhancement purposes or to manage exposures to currencies and interest rates. The primary risks associated with forward contracts arise from exposure to movements in foreign exchange and interest rates, as applicable, and from the possible inability of counterparties to meet the terms of the contract (see Note 5).

Notional amounts of derivative contracts represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the gains/losses and fair value of the contracts and are generally a measure of the exposure to the asset class to which the contract relates. They are not recorded as assets or liabilities on the balance sheet. Notional amounts do not represent the potential gain or loss associated with the market risk or credit risk associated with a derivative contract.

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008—*Continued*

The notional amounts and fair value of derivative contracts held at March 31 are as follows:

(in millions of dollars)

| | As at March 31, 2008 | | | | For the year ended March 31, 2008 | |
|---|---|---|---|---|---|---|
| | Notional amount | Gross positive fair value | Gross negative fair value | Net fair value | Average gross positive fair value[1] | Average gross negative fair value[1] |
| SWAPS | | | | | | |
| Equity | 12,296 | 311 | (312) | (1) | 347 | (299) |
| Bond | 2,401 | 17 | (12) | 5 | 13 | (5) |
| Cross-currency interest rate | 1,477 | 2 | (64) | (62) | | (5) |
| Inflation-linked bond | 762 | 39 | | 39 | 3 | |
| Variance | 597 | | (1) | (1) | | |
| FUTURES | | | | | | |
| Equity | 2,969 | 16 | (5) | 11 | 12 | (12) |
| Interest rate and bond | | | | | | |
| FORWARDS | | | | | | |
| Foreign exchange | 14,899 | 175 | (320) | (145) | 239 | (201) |
| Interest rate | 276 | | | | | |
| Total | 35,677 | 560 | (714) | (154) | 614 | (522) |

(in millions of dollars)

| | As at March 31, 2007 | | | | For the year ended March 31, 2007 | |
|---|---|---|---|---|---|---|
| | Notional amount | Gross positive fair value | Gross negative fair value | Net fair value | Average gross positive fair value[1] | Average gross negative fair value[1] |
| SWAPS | | | | | | |
| Equity | 14,435 | 373 | (134) | 239 | 274 | (156) |
| Bond | | | | | | |
| Cross-currency interest rate | | | | | | |
| Inflation-linked bond | | | | | | |
| Variance | | | | | | |
| FUTURES | | | | | | |
| Equity | 1,797 | 1 | (2) | (1) | 4 | (4) |
| Interest rate and bond | | | | | | (1) |
| FORWARDS | | | | | | |
| Foreign exchange | 19,170 | 145 | (72) | 73 | 132 | (147) |
| Interest rate | | | | | | |
| Total | 35,402 | 519 | (208) | 311 | 410 | (308) |

(1) Determined using month-end values.

At March 31, 2008, all derivative contracts have a term to maturity of one year or less except for the following:

(in millions of dollars)

| | Notional amount | Weighted average terms to maturity (years) |
|---|---|---|
| Equity swaps | 1,500 | 2.0 |
| Cross currency interest rate swaps | 1,477 | 2.0 |
| Variance swaps | 597 | 9.7 |

At March 31, 2007, all derivative contracts had a term to maturity of one year or less.

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 — *Continued*

*(b)* Equities

*i.* Public equity investments are made directly or through funds. As at March 31, 2008, public equities include fund investments with a fair value of $1,202 million (2007 – $nil).

*ii.* Private equity investments are generally made directly or through ownership in limited partnership arrangements which have a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk/return characteristics of equity. As at March 31, 2008, private equities include direct investments with a fair value of $3,219 million (2007 – $1,032 million).

With respect to limited partnership arrangements, the CPP Investment Board advances capital to the limited partnerships, a portion of which, commonly referred to as management fees, is used by the General Partners to select and provide ongoing management support to the underlying companies. Management fees generally vary between 1 percent and 2 percent of the total amount committed to the limited partnerships and are expensed as incurred. During the year ended March 31, 2008, management fees of $157 million (2007 – $131 million) were paid to the limited partnerships.

*(c)* Absolute return strategies

Absolute return strategies consist of investments in funds whose objective is to generate positive returns regardless of market conditions, that is, returns with a low correlation to broad market indexes. The underlying securities of the funds could include, but are not limited to, equities, fixed income securities and derivatives.

*(d)* Inflation-sensitive assets

*i.* The CPP Investment Board obtains exposure to real estate through investments in publicly-traded securities and privately held real estate.

Private real estate investments are held by wholly-owned subsidiaries and are managed on behalf of the CPP Investment Board by investment managers through co-ownership arrangements. As at March 31, 2008, the subsidiary's share of these investments includes assets of $7,421 million (2007 – $5,441 million) and $980 million of secured debt (2007 – $1,174 million), with a weighted average fixed interest rate of 6.4 percent and terms to maturity of one to 20 years.

Included in the private real estate are investments in joint ventures. The CPP Investment Board's proportionate interest in joint ventures at March 31 is summarized as follows:

| | 2008 | 2007 |
|---|---|---|
| | (in millions of dollars) | |
| Proportionate share of net assets | | |
| Assets | 5,173 | 4,790 |
| Liabilities | (980) | (1,174) |
| | 4,193 | 3,616 |

| | 2008 | 2007 |
|---|---|---|
| | (in millions of dollars) | |
| Proportionate share of net income | | |
| Revenue | 531 | 484 |
| Expenses | (328) | (325) |
| | 203 | 159 |

*ii.* The terms to maturity of the inflation-linked bonds as at March 31 are as follows:

TERMS TO MATURITY
(in millions of dollars)

| | 2008 | | | | | | 2007 | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | 6 to 10 years | Over 10 years | Total | Average effective yield | Total | Average effective yield |
| Inflation-linked bonds | | 181 | 158 | 3,623 | 3,962 | 3.9% | 3,802 | 3.3% |

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 — *Continued*

*iii.* Infrastructure investments are generally made directly, but can also occur through limited partnership arrangements that have a typical term of 10 years. As at March 31, 2008, infrastructure includes direct investments with a fair value of $1,913 million (2007 – $1,721 million). Direct investments do not have management fees, while management fees for limited partnership infrastructure investments are treated similarly to private equity management fees as discussed in Note 3b. During the year ended March 31, 2008, management fees of $3.4 million (2007 – $4.7 million) were paid to the limited partnerships.

*(c)* Fixed Income

*i.* Bonds consist of marketable and government non-marketable bonds as follows:

| | 2008 | 2007 |
|---|---|---|
| | (in millions of dollars) | |
| Marketable bonds | | |
| Government of Canada | 911 | 2,200 |
| Provincial governments | 1,626 | 1,110 |
| Government corporations | 1,405 | 920 |
| Total marketable bonds | 3,942 | 4,230 |
| Non-marketable bonds | | |
| Government of Canada | 1,140 | 1,888 |
| Provincial governments | 22,110 | 22,363 |
| Total non-marketable bonds | 23,250 | 24,251 |
| CPP Investment Fund's share | | 614 |
| CPP Investment Board's share | 23,250 | 23,637 |
| Total bonds | 27,192 | 28,481 |

The transfer to the CPP Investment Board of the CPP portfolio of non-marketable federal, provincial and territorial bonds began on May 1, 2004. The last portion of bonds totalling $630 million based on fair market value at the time of transfer was transferred on April 1, 2007.

The non-marketable bonds issued by the provinces and territories and purchased by the CPP prior to 1998 contained a rollover provision which will permit these issuers, at their option, to roll over the bonds for a further 20-year term at a rate based on capital markets borrowing rates existing at the time of rollover. The non-marketable bonds are also redeemable at the option of the issuers for redemption amounts calculated in accordance with Section 110 of the *Canada Pension Plan Act*.

In lieu of exercising its statutory rollover right described in the preceding paragraph, agreements between the CPP Investment Board and the provinces permit each province to repay the bond and concurrently cause the CPP Investment Board to purchase a replacement bond or bonds in a total principal amount not exceeding the principal amount of the maturing security for a term of not less than five years and not greater than 30 years. Such replacement bonds contain rollover provisions that permit the issuer, at its option, to roll over the bond for successive terms of not less than five years and subject in all cases to the maximum 30 years outside maturity date. The replacement bonds are also redeemable before maturity at the option of the issuers.

The terms to maturity of the marketable and non-marketable bonds, not including any rollover options, as at March 31 are as follows:

TERMS TO MATURITY
(in millions of dollars)

| | 2008 | | | | | | 2007 | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | 6 to 10 years | Over 10 years | Total | Average effective yield | Total | Average effective yield |
| Marketable bonds | | | | | | | | |
| Government of Canada | | 345 | 207 | 359 | 911 | 3.6% | 2,200 | 4.1% |
| Provincial governments | | 423 | 431 | 772 | 1,626 | 4.4% | 1,110 | 4.5% |
| Government corporations | | 768 | 318 | 319 | 1,405 | 4.1% | 920 | 4.3% |
| Total marketable bonds | | 1,536 | 956 | 1,450 | 3,942 | | 4,230 | |
| Non-marketable bonds | | | | | | | | |
| Government of Canada | 527 | 613 | | | 1,140 | 2.7% | 1,888 | 4.6% |
| Provincial governments | 1,441 | 8,303 | 568 | 11,798 | 22,110 | 4.6% | 22,363 | 5.0% |
| Total non-marketable bonds | 1,968 | 8,916 | 568 | 11,798 | 23,250 | | 24,251 | |
| Total | 1,968 | 10,452 | 1,524 | 13,248 | 27,192 | 4.5% | 28,481 | 4.9% |

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 — *Continued*

At March 31, 2008, should nominal interest rates have increased/decreased by 1%, with all other variables held constant, the fair value of the bonds would decrease/increase by 6.6% (2007 – 6.2%).

*ii.* Other debts consist of fixed income investments in distressed mortgage funds and private debt funds.

*(f)* Securities lending

The CPP Investment Board engages in securities lending to enhance portfolio returns. Credit risk associated with securities lending is mitigated by requiring the borrower to provide daily collateral in the form of readily marketable investments of greater market value than the securities loaned. As at March 31, 2008, the CPP Investment Board's investments include securities loaned with a fair value of $2,480 million (2007 – $3,047 million). The fair value of collateral received in respect of the securities loaned is $2,606 million (2007 – $3,202 million).

4. Investments held by the CPP Investment Fund

The Canada Pension Plan Investment Fund was established in the accounts of Canada by the *CPP Act* to record the Plan's investments in bonds of the provinces, territories and Canada. The CPP Investment Fund's bond portfolio was administered by the federal Department of Finance.

In accordance with the amended legislation and the related administrative agreement, the bonds held by the CPP Investment Fund were transferred to the CPP Investment Board over a three year period. After the last portion (36/36$^{th}$ at $630 million) of the bonds was transferred to the CPP Investment Board on April 1, 2007, the CPP Investment Fund ceased to exist.

For further bond details see Note 3e.

5. Investment risk management

The CPP Investment Board is exposed to a variety of financial risks as a result of its investment activities. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The CPP Investment Board manages financial risks in accordance with the *Canada Pension Plan Investment Board Act*, regulations and the investment policies. In addition, derivatives are used, where applicable, to manage certain risk exposures (see Note 3a).

*i.* Market Risk:

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices. The CPP Investment Board manages market risk by investing across a wide spectrum of asset classes and investment strategies to earn a diversified risk premium at the total fund level, based on risk limits established in the investment policies. Market risk is comprised of the following:

Currency Risk:

The CPP Investment Board is exposed to currency risk through holdings of investments in various currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value and future cash flows of these investments.

The net underlying currency exposures, after allocating foreign currency derivatives, as at March 31 are as follows:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | (in millions of dollars) | | | |
| Currency | Net exposure | % of total | Net exposure | % of total |
| United States dollar | 23,586 | 49 | 23,502 | 50 |
| Euro | 10,813 | 23 | 8,744 | 19 |
| Japanese Yen | 4,910 | 10 | 5,299 | 11 |
| British Pound Sterling | 3,593 | 8 | 4,166 | 9 |
| Australian dollar | 1,243 | 3 | 1,799 | 4 |
| Swiss Franc | 1,111 | 2 | 1,167 | 2 |
| Other | 2,317 | 5 | 2,378 | 5 |
| Total | 47,573 | 100 | 47,055 | 100 |

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 – *Continued*

Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market interest rates. The CPP Investment Board's interest bearing investments and investment liabilities are exposed to interest rate risk. The most significant exposure to interest rate risk is investment in bonds (see Note 3e).

Price Risk:

Price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

*ii.* Credit Risk:

Credit risk refers to the risk of financial loss due to a counterparty failing to meet its contractual obligations. The CPP Investment Board's investment in debt securities and derivatives are exposed to credit risk. The carrying amounts of these investments as presented in the Consolidated Schedule of Investments represent the maximum credit risk exposure at the balance sheet date. The CPP Investment Board limits credit risk by dealing with counterparties that have a minimum credit rating of A minus for derivative transaction and BBB/R-2 (short-term) for all other transactions as determined by a recognized credit rating agency, where available, or as determined through an internal credit rating process. Credit exposure to any single counterparty is limited to maximum amounts as specified in the investment policies.

*iii.* Liquidity Risk:

Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet commitments as they come due. The CPP Investment Board's unfunded investment commitments (see Note 12) and its responsibility for providing cash management services to the CPP (see Note 11) expose it to liquidity risk. The CPP Investment Board mitigates liquidity risk through its unsecured credit facilities (see Note 6) and the ability to readily dispose certain investments traded in an active market.

6. Credit facilities

The CPP Investment Board maintains $1.5 billion (2007 – $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at March 31, 2008, the total amount drawn on the credit facilities is $nil (2007 – $nil).

7. Receivables

| | 2008 | 2007 |
|---|---|---|
| | (in millions of dollars) | |
| Receivables | | |
| Contributions | 4,178 | 3,333 |
| Régime de rentes du Québec | 100 | 100 |
| Beneficiaries | | |
| Balance of pensions and benefits overpayments | 94 | 89 |
| Allowance for doubtful accounts | (58) | (53) |
| | 4,264 | 3,469 |

The Department has procedures to detect overpayments. During the year, overpayments totalling $32 million (2007 – $29 million) were established and remissions of debts totalling $3 million (2007 – $4 million) were granted. A further $24 million was recovered (2007 – $22 million).

8. Cash

Cash consists of the total cash held by the CPP Account and the CPPIB. The CPP Account was established in the accounts of Canada by the *CPP Act* to record the contributions, interest, pensions, benefits and operating expenses of the Plan. It also records the amounts transferred to or received from the CPP Investment Board. As at March 31, 2008, the deposit with the Receiver General for Canada in the CPP Account is $106 million (2007 – $54 million) and CPPIB's cash is $3 million (2007 – $2 million) for a total of $109 million (2007 – $56 million) in the consolidated statement of net assets and the consolidated statement of cash flow.

9. Net investment income (loss)

Net investment income (loss) is reported net of transaction costs and investment management fees. Investment management fees in respect of externally managed publicly-traded investments include an incentive portion that fluctuates with investment performance (see Notes 3b and 3c).

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 — *Continued*

Net investment income (loss) by asset class and after giving effect to derivative contracts and investment receivables and liabilities for the year ended March 31 is as follows:

(in millions of dollars)

| | 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Investment income [1] | Net gain (loss) on investments [2][3] | Total investment income (loss) | Investment Management fees | Transaction costs | Net investment income (loss) |
| Equities | | | | | | |
| Canada | | | | | | |
| Public equities | 309 | 986 | 1,295 | (8) | (23) | 1,264 |
| Private equities | 13 | 21 | 34 | (12) | (7) | 15 |
| | 322 | 1,007 | 1,329 | (20) | (30) | 1,279 |
| Foreign | | | | | | |
| Public equities | 1,881 | (7,744) | (5,863) | (8) | (76) | (5,897) |
| Private equities | 105 | 988 | 1,093 | (145) | (12) | 936 |
| | 1,986 | (6,756) | (4,770) | (153) | (38) | (4,961) |
| | 2,308 | (5,749) | (3,441) | (173) | (68) | (3,682) |
| Fixed income | | | | | | |
| Bonds | 1,426 | 560 | 1,986 | | | 1,986 |
| Other debt | | (448) | (448) | (2) | (1) | (451) |
| Money market securities | 67 | 9 | 76 | | | 76 |
| | 1,493 | 521 | 2,014 | (2) | (1) | 2,011 |
| Absolute return strategies | | 106 | 106 | (23) | | 83 |
| Inflation sensitive assets | | | | | | |
| Public real estate | 28 | (222) | (194) | (5) | (1) | (200) |
| Private real estate | 259 | 276 | 535 | (27) | (19) | 489 |
| Inflation-linked bonds | 89 | 287 | 376 | | | 376 |
| Infrastructure | 134 | 551 | 685 | (3) | (24) | 658 |
| | 510 | 892 | 1,402 | (35) | (44) | 1,323 |
| Interest on operating balance | 8 | | 8 | | | 8 |
| Total | 4,319 | (4,210) | 89 | (233) | (113) | (257) |

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 — *Continued*

(in millions of dollars)

| | 2007 | | | | | |
|---|---|---|---|---|---|---|
| | Investment income [1] | Net gain (loss) on investments [2][3][4] | Total investment income (loss) | Investment Management fees | Transaction costs [4] | Net investment income (loss) |
| Equities | | | | | | |
| Canada | | | | | | |
| Public equities | 390 | 2,788 | 3,178 | (61) | | 3,269 |
| Private equities | 8 | 69 | 77 | | | 77 |
| | 398 | 2,854 | 3,252 | (61) | | 3,346 |
| Foreign | | | | | | |
| Public equities | 1,066 | 3,893 | 4,955 | (37) | | 4,992 |
| Private equities | 90 | 1,747 | 1,837 | | | 1,837 |
| | 1,156 | 5,640 | 6,792 | (37) | | 6,789 |
| | 1,554 | 8,494 | 10,044 | (98) | | 10,035 |
| Fixed income | | | | | | |
| Bonds | 1,866 | (375) | 1,491 | | | 1,491 |
| Other debt | | | | | | |
| Money market securities | 86 | 12 | 98 | | | 98 |
| | 1,952 | (363) | 1,589 | | | 1,589 |
| Absolute return strategies | | (11) | (11) | (11) | | (22) |
| Inflation sensitive assets | | | | | | |
| Public real estate | 51 | 107 | 153 | (11) | | 142 |
| Private real estate | 230 | 678 | 858 | (111) | | 848 |
| Inflation-linked bonds | 109 | (79) | 30 | (33) | | 37 |
| Infrastructure | 23 | 127 | 150 | | | 190 |
| | 413 | 1,033 | 1,388 | (155) | | 1,073 |
| Interest on operating balance | 9 | | 9 | | | 9 |
| Total | 3,864 | 9,269 | 13,009 | (279) | | 12,664 |

(1) Includes interest income, dividends, securities lending income and private real estate operating income, net of interest expense.

(2) Includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the period and foreign exchange gains and losses.

(3) Includes foreign exchange losses of $1,365 million (2007 — foreign exchange gains for $1,093 million).

(4) Prior to April 1, 2007, transaction costs on purchases were capitalized and recorded as part of the investment and transaction costs on sales were deducted from realized gains or added to losses as a cost of disposal.

## 10. Operating expenses

| | 2008 | 2007 |
|---|---|---|
| | (in millions of dollars) | |
| General operating expenses | 281 | 247 |
| Salaries and benefits | 600 | 466 |
| Professional and consulting fees | 28 | 13 |
| Total operating expenses | 909 | 726 |

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 — *Continued*

11. Net assets and changes in net assets for accountability purposes

The administration of the Canada Pension Plan's assets and activities is shared between various government of Canada's departments and the Canada Pension Plan Investment Board (CPPIB). The CPPIB is responsible for investing the majority of the Plan's assets, while the Government of Canada (GoC), through various federal departments, manages the remainder of the assets, as well as the collection of the CPP contributions and the administration and payments of the CPP benefits. For accountability purposes, the following table presents summary information on the levels of assets and liabilities and sources of income and expenses managed by each the GoC and the CPPIB.

(in millions of dollars)

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Government of Canada | CPP Investment Board | Total | Government of Canada | CPP Investment Board | Total |
| Assets | 4,371 | 130,923 | 135,294 | 4,152 | 119,959 | 124,111 |
| Liabilities | 289 | 8,220 | 8,509 | 256 | 4,024 | 4,280 |
| Net assets | 4,082 | 122,703 | 126,785 | 3,896 | 115,935 | 119,831 |
| Income (loss): | | | | | | |
| Contributions | 35,346 | | 35,346 | 32,355 | | 32,355 |
| Investment income (loss) | 11 | (268) | (257) | 256 | 12,788 | 13,044 |
| | 35,357 | (268) | 35,089 | 32,611 | 12,788 | 45,399 |
| Expenses: | | | | | | |
| Pensions and benefits | 27,536 | | 27,536 | 26,115 | | 26,115 |
| Operating expenses | 445 | 154 | 599 | 460 | 114 | 574 |
| | 27,981 | 154 | 28,135 | 26,575 | 114 | 26,689 |
| Increase (decrease) in net assets | 7,376 | (422) | 6,954 | 6,036 | 12,674 | 18,710 |

Pursuant to Section 108.1 of the *CPP Act* and the Agreement dated as of April 1, 2004, amounts not required to meet specified obligations of the CPP are transferred weekly to the CPPIB. The funds originate from employer and employee contributions to the CPP and interest income generated from the deposit with the Receiver General.

In September 2004, the CPPIB assumed responsibility for providing cash management services to the CPP, including periodic return, on at least a monthly basis, of funds required to meet CPP benefits and expenses.

During the year ended March 31, 2008, a total of $27.8 billion was transferred to the CPPIB which includes the last bond transfer of $630 million based on fair market value at the time of transfer and cash of $27.2 billion. During the same year a total of $20.6 billion was returned to the CPP to meet its liquidity requirements.

ACTIVITIES DURING THE YEAR
(in millions of dollars)

| | 2008 | 2007 |
|---|---|---|
| Canada Pension Plan Investment Board | | |
| Accumulated transfers to CPPIB, beginning of year | 125,289 | 91,795 |
| Transfer of bonds (fair) and accrued interest | 630 | 8,018 |
| Transfers of funds to CPPIB | 27,154 | 25,476 |
| Accumulated transfers to CPPIB, end of year | 153,073 | 125,289 |
| Accumulated transfers from CPPIB, beginning of year | (42,120) | (23,355) |
| Transfers of funds from CPPIB | (20,594) | (18,765) |
| Accumulated transfers from CPPIB, end of year | (62,714) | (42,120) |
| Net accumulated transfers to CPPIB | 90,359 | 83,169 |

**Canada Pension Plan** —*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 *Continued*

12. Commitments

The CPP Investment Board has committed to enter into investment transactions, which will be funded over the next several years in accordance with the agreed terms and conditions. As at March 31, 2008, the commitments total $18.6 billion (2007 – $13.4 billion).

As at March 31, 2008, the CPP Investment Board has made lease and other commitments of $59.4 million (2007 – $54.9 million) over the next 10 years.

13. Contingencies

*(a)* Appeals relating to the payment of pensions and benefits

At March 31, 2008, there were 6,962 (7,996 in 2007) appeals relating to the payment of CPP disability benefits. These contingencies are reasonably estimated, using historical information, at an amount of $79 million ($88 million in 2007), which was recorded as an accrued liability in the CPP 2007-2008 financial statements. Any eligible benefit will be accounted for as an expense of the period in which the amount becomes determinable.

*(b)* Class action

A class action successfully challenged the CPP limitations which prevented surviving same-sex common-law partners from receiving a CPP survivor's pension when the contributor died on or after April 17, 1985 and before January 1, 1998.

On March 1, 2007, the Supreme Court of Canada (SCC) ruled that class members are entitled to receive CPP survivor's pension provided they otherwise meet the eligibility requirements of the CPP. The arrears payment is limited to 11 months based either on the date of application with no payment for months prior to August 1999 or on the issuance of the Statement of Claim in November 2001. The SCC also confirmed that interest was payable. On February 29, 2008 the Ontario Superior Court of Justice fixed the interest rate applicable prior to December 19, 2003 at 5% and at 8% starting on December 19, 2003 (the date of the trial judgment).

An amount of $8.9 million ($13.5 million in 2007) was recognized in the CPP 2007-2008 financial statements for the estimated retroactive payments to the same-sex survivors at March 31, 2008.

*(c)* Other claims and legal proceedings

In the normal course of operations, the CPP is involved in various claims and legal proceedings other than the class action described in Note 13b. While the total amount claimed in these actions may be significant, their outcomes are not determinable. The CPP records an allowance for claims and legal proceedings when it is likely that there will be a future payment and a reasonable estimate of the loss can be made. No such allowance was recognized in the financial statements for the 2007-2008 and 2006-2007 fiscal years for these claims and legal proceedings.

*(d)* Guarantees and indemnifications

The CPP Investment Board provides indemnifications to its officers, directors and, in certain circumstances, to various counterparties. The CPP Investment Board may be required to compensate these parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of the indemnification agreements prevents the CPP Investment Board from making a reasonable estimate of the maximum potential payments the CPP Investment Board could be required to make. To date, the CPP Investment Board has not received any claims nor made any payments for such indemnifications.

**Canada Pension Plan** —*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 — *Concluded*

14. Related party transactions

In addition to the information already disclosed in the other notes to the consolidated financial statements, the CPP has $4,128 million (2007 – $3,333 million) of contributions receivable from the Canada Revenue Agency.

The CPP enters into transactions with the Government of Canada in the normal course of business, which are recorded at the exchange value. The costs are based on estimated allocations of costs and are charged to the CPP in accordance with a memorandum of understanding.

TRANSACTION TOTAL FOR THE YEAR
(in millions of dollars)

| | 2008 | 2007 |
|---|---|---|
| Pension and benefit delivery, accommodation and corporate services | | |
| Human Resources and Social Development Canada and Service Canada | 791 | 310 |
| Collection of contributions | | |
| Canada Revenue Agency | 140 | 135 |
| Cheque issue and computer services | | |
| Public Works and Government Services Canada | 12 | 14 |
| Actuarial services | | |
| Office of the Superintendent of Financial Institutions | 2 | 1 |
| | 945 | 460 |

15. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

## Government Annuities Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Government Annuities Account have been prepared in accordance with Canadian generally accepted accounting principles, by the management of Human Resources and Social Development Canada. Management is responsible for the integrity and objectivity of the information in the financial statements, including the amounts which must, of necessity, be based on best estimates and judgement.

In support of its responsibility for the integrity and fairness of the financial statements, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

The management of Human Resources and Social Development Canada recognizes the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and regulations.

The independent auditor, the Auditor General of Canada, conducts an independent audit, in accordance with Canadian generally accepted auditing standards, and expresses her opinion on the financial statements and her report follows.

JANICE CHARETTE
*Deputy Minister*
*Human Resources and*
*Social Development Canada*

SU DAZÉ *for*
BRUCE MANION, FCMA
*Chief Financial Officer*
*Human Resources and*
*Social Development Canada*

Gatineau, Canada
July 11, 2008

REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 2008 and their change in the Account's statement of operations and actuarial liabilities for the year then ended.

As prescribed in the *Government Annuities Regulations*, the valuation was based on the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The valuation assumed a seven percent annual interest rate, also as stipulated in the *Regulations*.

The valuation was conducted in accordance with accepted actuarial principles to the extent that they apply. Significant differences are as follows: first, the Account's assets are in the form of a deposit with the Receiver General for Canada, so actuarial liabilities were based on the present value of future payments discounted at the prescribed interest rate; second, administrative expenses are paid by the government out of general funds, so no provision is made in the valuation; and finally, given the need for a realistic valuation and based on the size and long standing existence of this group of annuitants, there are no added margins for mortality risks.

In my opinion, the valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Luc Taillon
Fellow of the Canadian Institute of Actuaries
Chief Actuary
Human Resources and Social Development Canada

Gatineau, Canada
July 11, 2008

## Government Annuities Account—*Continued*

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SOCIAL DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 2008 and the statements of operations and actuarial liabilities and cash flows for the year then ended. These financial statements are the responsibility of the management of Human Resources and Social Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and regulations.

John O'Brien, CA
Principal
for the Auditor General of Canada

Halifax, Canada
July 11, 2008

BALANCE SHEET
AS AT MARCH 31, 2008
(in thousands of dollars)

| ASSETS | 2008 | 2007 |
|---|---|---|
| Deposit with Receiver General for Canada (Note 3) | 274,818 | 299,685 |
| Accrued interest due from Canada | 20,669 | 22,494 |
| Accounts receivable | 142 | 140 |
| | 295,629 | 322,319 |

| LIABILITIES | 2008 | 2007 |
|---|---|---|
| Actuarial surplus due to Canada | 2,642 | 2,884 |
| Actuarial liabilities (Note 4) | 292,987 | 319,435 |
| | 295,629 | 322,319 |

The accompanying notes are an integral part of these financial statements.

Approved by:

JANICE CHARETTE
*Deputy Minister*
*Human Resources and*
*Social Development Canada*

SU DAZÉ *for*
BRUCE MANION, FCMA
*Chief Financial Officer*
*Human Resources and*
*Social Development Canada*

## Government Annuities Account—*Continued*

STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES
FOR THE YEAR ENDED MARCH 31, 2008
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| Payments and other charges | | |
| Annuity payments | 44,438 | 47,411 |
| Premium refunds | 145 | 72 |
| Unclaimed annuities transferred to Consolidated Revenue Fund | 162 | 181 |
| | 44,745 | 47,664 |
| Income | | |
| Interest from Canada (Note 3) | 20,669 | 22,494 |
| Premiums (Note 3) | 23 | 21 |
| Reclaimed annuities recovered from Consolidated Revenue Fund | 247 | 229 |
| | 20,939 | 22,744 |
| Services received without charge (Note 2(f)) | 2,538 | 2,537 |
| Services contributed by Human Resources and Social Development Canada (Note 2(f)) | (2,538) | (2,537) |
| Excess of payments and other charges over income for the year | 23,806 | 24,920 |
| Actuarial liabilities, beginning of year | 319,435 | 347,239 |
| | 295,629 | 322,319 |
| Actuarial surplus due to Canada | 2,642 | 2,884 |
| Actuarial liabilities, end of year (Note 4) | 292,987 | 319,435 |
| Actuarial liabilities are comprised of: | | |
| Deferred annuities, present value | 14,773 | 16,976 |
| Matured annuities, present value | 278,214 | 302,459 |
| | 292,987 | 319,435 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| Cash flows from (used in) operations | | |
| Payments to annuitants | (44,583) | (47,483) |
| Interest received | 22,494 | 24,456 |
| Reclaimed annuities recovered from Consolidated Revenue Fund | 247 | 229 |
| Unclaimed annuities transferred to Consolidated Revenue Fund | (162) | (181) |
| Premiums received from annuitants | 23 | 21 |
| Other (payments) recoveries | (2) | 58 |
| | (21,983) | (22,900) |
| Actuarial surplus remitted to Consolidated Revenue Fund | (2,884) | (3,514) |
| Decrease in deposit with Receiver General for Canada | (24,867) | (26,414) |
| Deposit with Receiver General for Canada, beginning of year | 299,685 | 326,099 |
| Deposit with Receiver General for Canada, end of year | 274,818 | 299,685 |

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

1. Authority and purpose

The Government Annuities Account (the Account) was established in 1908 by the *Government Annuities Act*, as modified by the *Government Annuities Improvement Act*.

The purpose of the *Government Annuities Act* was to assist individuals and groups of Canadians to prepare financially for their retirement by purchasing Government Annuities. In 1975, the *Government Annuities Improvement Act* discontinued future sales of Government Annuity contracts. Annuities are deferred until their maturity date, at which time payments to annuitants begin.

The Account is administered by Human Resources and Social Development Canada and operates through the Consolidated Revenue Fund.

**Government Annuities Account**—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 – *Continued*

2. Significant accounting policies

The financial statements of the Government Annuities Account are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

*(a)* Actuarial liabilities

The method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and regulations.

Actuarial liabilities comprise, in respect of deferred and matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

*(b)* Actuarial surplus/deficit

At the end of any fiscal year, the recorded amount of actuarial liabilities may be different than the amount of actuarial liabilities determined by the actuary. The difference is recorded as an actuarial surplus or deficit, which is remitted to or recovered from the Consolidated Revenue Fund.

*(c)* Interest from Canada

Interest from Canada is recorded on the accrual basis and is calculated on actuarial liabilities as prescribed by the *Government Annuities Improvement Act*.

*(d)* Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

*(e)* Reclaimed annuities

Reclaimed annuities represent previously unclaimed amounts that had been transferred to the Consolidated Revenue Fund. Where the annuitants are subsequently located, the actuarially determined value of the annuities are transferred back to the Account.

*(f)* Services received without charge

Administrative services, including actuarial services, received without charge from Human Resources and Social Development Canada are recorded in the Statement of Operations and Actuarial Liabilities at their estimated carrying amount. A corresponding amount is credited directly to the Statement of Operations and Actuarial Liabilities.

*(g)* Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, and income at the date of the financial statements. Despite the use of management's best estimates, it is possible that the amounts for the actuarial liabilities and related accounts could change materially in the near term.

*(h)* Comprehensive income

Effective April 1, 2007, the Canadian Institute of Chartered Accountants issued Section 1530, Comprehensive Income, which requires the presentation of comprehensive income, consisting of net income and other comprehensive income. The requirements of section 1530 have no impact on the Account's financial statements.

3. Premiums deposited with Receiver General for Canada

Premiums are deposited with the Receiver General for Canada. This deposit earns interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act*. Due to the short-term nature, the carrying value of the deposit with the Receiver General for Canada approximates its fair value.

4. Actuarial liabilities

The *Government Annuities Act* and regulations prescribe the basis upon which actuarial values are to be determined. The regulations require the discounting of expected future payments using an annual interest rate of seven percent. Future payments are to be estimated using the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The Chief Actuary has indicated that these assumptions provide a reasonable estimate of the actuarial liabilities of the Account.

5. Respective roles of the valuation actuary and of the auditor

In accordance with the Joint Policy Statement of the Canadian Institute of Chartered Accountants and the Canadian Institute of Actuaries, dated October 2007, it is appropriate to include a description of the respective roles of the actuary and of the auditor with respect to the financial statements. Their respective roles are as follows:

*(a)* Human Resources and Social Development Canada's Chief Actuary determines and reports on the amount of actuarial liabilities for annuity contracts issued under

**Government Annuities Account**—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008 — *Concluded*

the *Government Annuities Act*, as shown in the financial statements. This valuation is conducted in accordance with accepted actuarial principles, as adapted to the circumstances of the Government Annuities Account. The Chief Actuary also ensures that the method used to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and regulations.

*(b)* The Auditor General of Canada expresses an opinion on the fair presentation of the financial statements prepared by management in accordance with Canadian generally accepted accounting principles. The Auditor General of Canada also expresses an opinion on whether the transactions that come to the auditor's attention are, in all significant respects, in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and regulations. The audit is conducted in accordance with Canadian generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

6. Related party transactions

The Account is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations.

## Royal Canadian Mounted Police (Dependants) Pension Fund

### MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Royal Canadian Mounted Police (Dependants) Pension Fund is responsible for the preparation of the financial statements. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include management's best estimates and judgments when appropriate.

Responsibility for the integrity and objectivity of the financial statements rests with the management of the Royal Canadian Mounted Police (Dependants) Pension Fund. In support of its responsibility, management has developed and maintained books, records, internal controls and management practices, designed to provide reasonable assurance as to the reliability of the financial information.

These financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Approved by:

WILLIAM J. S. ELLIOTT
*Commissioner*

ALAIN P. SÉGUIN
*Chief Financial and Administrative Officer*

August 5, 2008

### AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC SAFETY

I have audited the statement of net assets available for benefits of the Royal Canadian Mounted Police (Dependants) Pension Fund as at March 31, 2008 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at March 31, 2008 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Fund that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of the *Financial Administration Act* and the *Royal Canadian Mounted Police Pension Continuation Act*.

Douglas G. Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
August 5, 2008

## Royal Canadian Mounted Police (Dependants) Pension Fund—*Continued*

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT MARCH 31

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Net assets available for benefits | | |
| Due from the Consolidated Revenue Fund | 28,537,258 | 29,408,843 |

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED MARCH 31

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Net assets available for benefits, beginning of year | 29,408,843 | 29,745,119 |
| Increase in net assets: | | |
| Interest income on amount due from the Consolidated Revenue Fund | 2,063,039 | 2,165,946 |
| Contributions | 6,692 | 7,409 |
| Total increase in net assets | 2,069,731 | 2,173,355 |
| Decrease in net assets: | | |
| Benefit payments | (2,941,316) | (2,509,631) |
| Decrease in net assets | 871,585 | 336,276 |
| Net assets available for benefits, end of year | 28,537,258 | 29,408,843 |

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31

1. Description of the Fund

The following summary description of the Royal Canadian Mounted Police (Dependants) Pension Fund (the Fund) is for general information only. For more complete information, reference should be made to the *Royal Canadian Mounted Police Pension Continuation Act* (the *Act*). All monetary transactions of the Fund are made through a specified purpose account in the Consolidated Revenue Fund (CRF).

*(a)* General

The Royal Canadian Mounted Police (Dependants) Pension Fund was established in 1934 pursuant to the *Royal Canadian Mounted Police Act* and is currently operated under Part IV of the *Royal Canadian Mounted Police Pension Continuation Act* (effective 1959) and the related Regulations.

The *Act* provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions.

The Fund is accounted for using the standards applicable to a defined benefit pension plan.

*(b)* Funding policy

All eligible members have now retired and, as such, there are no more active members contributing to the Fund; however, retired members may continue to make instalment payments in respect of previous elections made before their retirement.

The *Act* directs the Minister of Finance to have an actuarial valuation of the Fund prepared at least every five years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase the benefit payments. If there is an actuarial deficiency, the Governor in Council may direct that there be amounts transferred to the Fund, out of any unappropriated moneys in the CRF, as may be required to re-establish the solvency of the Fund.

*(c)* Interest income

The Government of Canada credits the Fund with interest computed quarterly on the amount due from the Consolidated Revenue Fund at the end of the preceding quarter. The rate of interest is determined by the Minister of Finance on a quarterly basis and is equal to the rate used in other government Superannuation accounts. The rate is calculated as though the amounts recorded were invested in a notional portfolio of Government of Canada 20 year bonds held to maturity.

**Royal Canadian Mounted Police (Dependants) Pension Fund**—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31—*Continued*

*(d)* Basic death benefits

The following benefits, as applicable, are payable on the death of a member who has made the scheduled contributions and has left them in the Fund.

*i.* Widow's pension benefit

The widow is entitled to the pension purchased by the member. In many cases the pension benefit equals approximately 1.5 percent of the member's final pension benefit payment multiplied by his years of credited service. The pension benefit is payable for life with a guarantee that the total payments shall be no less than the member's contributions.

*ii.* Eligible children's annuities

An annuity, not exceeding 7 percent of the member's final pension payment, is payable to each surviving child eligible in accordance with the provisions of the *Act* at that time. If there is no surviving widow or if the widow dies before the child's annuity ceases, the amount of the annuity doubles.

*iii.* Lump sum benefits

If a member is not survived by a widow, a lump sum payment is made to the dependants and relatives of the member who are, in the opinion of the Minister, best entitled to share the benefit. This lump sum shall be equal in value to a pension for female aged 20 years older than the deceased member at death but not exceeding 75 years.

*iv.* Benefit limitations

Under certain circumstances, the basic death benefits payable to a surviving widow are reduced. This can occur when a member marries after age 60; in that case, the value of the pension to the widow cannot exceed the lump sum payable if he were not survived by a widow.

*(e)* Dividends on death benefits

The *Act* provides that if the Fund is substantially in excess of the amount required to make adequate provision for the prospective payments, the Governor in Council may, by order, increase the benefits provided under Part IV of the *Act* in such manner as may appear equitable and expedient. The authority of the Governor in Council is delegated to the Treasury Board under section 7(2) of the *Financial Administration Act*.

To date, most of these benefit increases have taken the form of proportionate dividends applied to all basic death benefits, both accrued and prospective.

*(f)* Withdrawal of contributions

A retired member who did not elect to withdraw his contributions from the Fund upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV of the *Act* and those of his dependants shall cease upon such election. All returns of contributions are made without interest.

2. Significant accounting policies

*(a)* Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity independent of the sponsor and Fund members. They are prepared to assist Fund members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the Fund.

The carrying value of Due from the Consolidated Revenue Fund approximates fair value.

*(b)* Services provided without charge

The Fund does not record the value of administrative services it receives without charge from various government departments and agencies as they are immaterial in the context of the financial statement taken as a whole. These services include the following:

— financial management and other support services from the Royal Canadian Mounted Police;

— actuarial valuation and other services from the Office of the Superintendent of Financial Institutions; and,

— cheque issue from Public Works and Government Services Canada.

3. Pension obligations

The most recent statutory actuarial valuation was performed as at March 31, 2007 by the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of $3,782,000. A portion of this surplus will be distributed by annual effective increases in the pension amount of 2.2 percent as at April 1, 2008 and by increases to lump sum death benefits and residual payments. The cumulative increase to the basic pension amount is 1.095 percent effective April 1, 2008.

## Royal Canadian Mounted Police (Dependants) Pension Fund—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31—*Concluded*

The remaining balance of the actuarial surplus is intended to be used over the remaining life of the Fund for the payment of increases in the pension benefits. The average ages of members and widows were both estimated to be 84 years as at March 31, 2007. The remaining lifetime of the Fund was estimated at 31 years.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future Fund yields, mortality rates, proportion of members married, and age of new widows. The current Fund yield of 7.4 percent per annum (7.6 percent in 2007) is consistent with the estimated yield (7.32 percent) used for the immediate future in the actuarial valuation. The expected long-term Fund yield is estimated to decline to 5.10 percent per annum by the year 2025 and to rise to the ultimate level of 5.35 percent by 2032. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

An interim valuation was performed as at March 31, 2008. The actuarial present value of accrued pension benefits and the principal components of change in the actuarial present value during the plan year were estimated as follows:

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Actuarial present value of accrued pension benefits, beginning of year | 25,501,000 | 26,216,000 |
| Net interest accrued on benefits | 1,866,000 | 1,894,000 |
| Net adjustment arising from experience gains and losses and from valuation changes | 126,000 | (106,000) |
| Benefits increases | 1,301,000 | |
| Contributions from participants (instalment payments) | 7,000 | 7,000 |
| Benefit payments | (2,941,000) | (2,510,000) |
| Actuarial present value of accrued pension benefits, end of year | 25,860,000 | 25,501,000 |

# SECTION 7

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

# Cash and Accounts Receivable

**CONTENTS**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| Cash | 7.2 |
| Tax receivables | 7.3 |
| Other accounts receivable | 7.4 |

# CASH AND ACCOUNTS RECEIVABLE

This section contains information on accounts reported on the Statement of Financial Position under "Cash and Accounts Receivable".

Table 7.1 presents the year-end balances of cash and accounts receivable by category.

**TABLE 7.1**

CASH AND ACCOUNTS RECEIVABLE

| | March 31/2008 | March 31/2007 |
|---|---|---|
| | $ | $ |
| Cash, Table 7.2 | 13,728,506,326 | 22,695,688,107 |
| Tax receivables, Table 7.3 | 65,901,940,065 | 66,492,225,593 |
| Other accounts receivable, Table 7.5 | 3,247,796,693 | 3,397,873,668 |
| Total cash and accounts receivable | 82,878,243,084 | 92,585,787,368 |

## Cash

Cash consists of public moneys on deposit and cash in transit at March 31[1]. Cash in bank consists of public moneys on deposit to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions. Cash in transit consists of public moneys received by public officers prior to April 1, but not deposited by that date as well as cash held by consolidated Crown corporations and other entities. Outstanding cheques and warrants are deducted to arrive at the closing cash balance.

Table 7.2 presents a summary of the cash balances.

**TABLE 7.2**

CASH

| | March 31/2008 | March 31/2007 |
|---|---|---|
| | $ | $ |
| Cash in bank | | |
| Canadian currency | 11,196,741,837 | 21,160,166,973 |
| Foreign currencies[1] | (3,959,262) | (4,809,265) |
| Special deposits[2] | 50,251,664 | 50,251,664 |
| Total cash in bank | 11,243,034,239 | 21,205,618,372 |
| Cash in transit | | |
| Cash in hands of collectors and in transit | 7,571,906,418 | 5,970,993,511 |
| Other cash – Consolidated Crown corporations and other entities[3] | 560,109,000 | 488,605,000 |
| Total cash in transit | 8,132,015,418 | 6,459,598,511 |
| Less: Outstanding cheques and warrants | | |
| Outstanding cheques[4] | 5,644,957,253 | 4,966,990,727 |
| Imprest account cheques[5] | 1,586,078 | 2,538,049 |
| Total outstanding cheques and warrants | 5,646,543,331 | 4,969,528,776 |
| Total cash | 13,728,506,326 | 22,695,688,107 |

(1) The balances denominated in foreign currencies (United Kingdom pounds sterling, United States dollars and Euros) have been translated into Canadian dollar equivalents.

(2) These are balances in the hands of financial institutions for the purchase or redemption of Government securities, for the payment of interest and for reimbursement of GST refund payments issued by the "ministère du Revenu du Québec" on behalf of the government.

(3) These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of consolidated Crown corporations and other entities.

(4) Cheques and Employment Insurance warrants issued in Canadian dollars, and outstanding are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of $30,086,846 ($25,929,367 in 2007) was transferred to non-tax revenues. Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

(5) Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account.

## Tax Receivables

Tax receivables include amounts assessed by Canada Revenue Agency and the Canada Border Services Agency but not yet collected, as well as estimates of unassessed taxes at year-end. Amounts receivable also include related amounts for interest and penalties.

Tax receivables include taxes and premiums collectable on behalf of others such as provincial, territorial governments and the Canada Pension Plan. These amounts have also been included in liabilities.

The Government establishes an allowance for doubtful accounts to reduce the carrying value of the tax receivables to amounts that approximate their net realizable value.

Table 7.3 presents tax receivables by tax stream. Amounts receivable that are written off or forgiven are included in Section 2 of Volume III (Debts, obligations and claims written off or forgiven).

### TABLE 7.3
TAX RECEIVABLES AS AT MARCH 31

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Gross tax receivables | Allowance for doubtful accounts | Net tax receivables | Gross tax receivables | Allowance for doubtful accounts | Net tax receivables |
| | $ | $ | $ | $ | $ | $ |
| Tax receivables | | | | | | |
| Income tax receivables | | | | | | |
| Individuals | 37,163,754,702 | 3,837,981,193 | 33,325,773,509 | 34,920,449,489 | 3,490,428,450 | 31,430,021,039 |
| Employers | 13,912,316,491 | 767,756,661 | 13,144,559,830 | 14,562,101,935 | 555,086,915 | 14,007,015,019 |
| Corporations | 10,686,447,811 | 1,456,133,037 | 9,230,314,774 | 9,665,131,083 | 1,054,675,586 | 8,610,455,497 |
| Non-residents | 1,116,347,288 | 179,673,839 | 936,673,441 | 1,080,276,861 | 65,754,745 | 1,014,522,116 |
| Goods and services tax receivable | 10,323,870,805 | 2,176,141,085 | 8,147,729,720 | 11,508,430,591 | 1,326,403,434 | 10,182,027,157 |
| Customs duties receivable | 269,056,891 | 22,274,661 | 246,782,230 | 219,284,968 | 25,497,716 | 193,787,252 |
| Excise taxes and duties receivable | 1,164,887,115 | 294,780,554 | 870,106,561 | 1,084,221,109 | 29,823,596 | 1,054,397,513 |
| Total | 74,636,881,095 | 8,734,741,030 | 65,901,940,065 | 73,039,896,036 | 6,547,670,442 | 66,492,225,593 |

Table 7.4 presents the aging for tax receivables for the period over which claims at March 31, 2008 have been outstanding. Receivables based on estimates of unassessed taxes at year-end are included in current receivables.

### TABLE 7.4
AGING OF TAX RECEIVABLES

| | Year ended March 31 | |
|---|---|---|
| | 2008 | 2007 |
| | $ | $ |
| Tax receivables | | |
| Less than one year | 47,123,930,788 | 51,052,168,383 |
| 1-2 | 6,058,338,471 | 4,443,462,228 |
| 2-3 | 3,219,570,560 | 3,322,729,799 |
| 3-4 | 3,554,938,039 | 3,176,976,521 |
| 4-5 | 3,115,316,402 | 2,273,463,663 |
| Over 5 years | 11,564,586,835 | 8,771,095,442 |
| Total | 74,636,881,095 | 73,039,896,036 |

Certain comparative figures have been reclassified to conform to the current year's presentation.

## Other accounts receivable

Other accounts receivable represent billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to the Government for use of its assets, or from the proceeds for provision of services as of March 31, 2008.

Amounts receivable written off or forgiven are included in Section 2 of Volume III (Debts, obligations and claims written off or forgiven).

Table 7.5 presents a summary of the balances for other receivables.

### TABLE 7.5
OTHER ACCOUNTS RECEIVABLE AS AT MARCH 31

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Gross tax receivables | Allowance for doubtful accounts | Net tax receivables | Gross tax receivables | Allowance for doubtful accounts | Net tax receivables |
| | $ | $ | $ | $ | $ | $ |
| Other receivables[1] | 4,012,487,928 | 1,262,803,235 | 2,749,684,693 | 4,092,317,045 | 1,183,556,377 | 2,908,760,668 |
| Accounts receivable of consolidated Crown corporations and other entities | 498,112,000 | | 498,112,000 | 489,113,000 | | 489,113,000 |
| Total | 4,510,599,928 | 1,262,803,235 | 3,247,796,693 | 4,581,430,045 | 1,183,556,377 | 3,397,873,668 |

[1] Other receivables are the financial claims owed to the Government and arising from other revenues.

Table 7.6 presents the aging of other accounts receivables for the period over which claims at March 31, 2008 have been outstanding.

### TABLE 7.6
AGING OF OTHER ACCOUNTS RECEIVABLE

| | Year ended March 31 | |
|---|---|---|
| | 2008 | 2007 |
| | $ | $ |
| Outstanding days | | |
| 0-30 | 1,767,008,383 | 1,769,976,068 |
| 31-60 | 212,431,425 | 221,398,073 |
| 61-90 | 75,033,524 | 117,243,991 |
| 91-365 | 338,036,104 | 326,849,130 |
| Over 365 | 1,619,978,492 | 1,656,849,783 |
| Total | 4,012,487,928 | 4,092,317,045 |
| Accounts receivable of consolidated Crown corporations and other entities | 498,112,000 | 489,113,000 |
| Total | 4,510,599,928 | 4,581,430,045 |

# SECTION 8

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

# Foreign Exchange Accounts

**CONTENTS**


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# FOREIGN EXCHANGE ACCOUNTS

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Investment income from the foreign exchange accounts and net gains and losses resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are recorded in foreign exchange net revenues on the Statement of Operations and Accumulated Deficit.

Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to $9,498 million as at March 31, 2008 ($10,372 million as at March 31, 2007); details relating to these obligations are presented in Section 6 of this volume. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 8.1**

FOREIGN EXCHANGE ACCOUNTS

| | April 1/2007 | Payments and other charges | Receipts and other credits | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| International reserves held in the Exchange Fund Account, Table 8.2 | 44,672,740,207 | 19,089,169,561 | 20,858,515,075 | 42,903,394,693 |
| International Monetary Fund – Subscriptions | 11,105,782,964 | | 354,063,828 | 10,751,719,136 |
| | *55,778,523,171* | *19,089,169,561* | *21,212,578,903* | *53,655,113,829* |
| Less: | | | | |
| International Monetary Fund – Notes payable | 10,241,599,271 | 534,098,631 | 333,000,000 | 10,040,500,640 |
| Special drawing rights allocations | 1,358,824,594 | 43,320,731 | | 1,315,503,863 |
| | *11,600,423,865* | *577,419,362* | *333,000,000* | *11,356,004,503* |
| Total | 44,178,099,306 | 19,666,588,923 | 21,545,578,903 | 42,299,109,326 |

## International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this *Act*, audited financial statements for the Exchange Fund Account are prepared for each year. The financial statements as at March 31, 2008, together with the Auditor General's report thereon, are found at the end of this section.

Table 8.2 shows international reserves held in and advances to the Exchange Fund Account as at March 31, 2008. Gold held by the Account is valued at 35 SDRs per fine ounce ($59.08 Cdn as at March 31, 2008 and $61.03 Cdn as at March 31, 2007).

In 2007-2008, payments and other charges consisted of advances to the Exchange Fund Account in the amount of $17,261 million and an adjustment of $1,828 million to recognize the net income of the Exchange Fund Account for the period April 1, 2007 to March 31, 2008. Receipts and other credits consisted of repayments of advances of $20,166 million and a net valuation adjustment of $692 million.

**TABLE 8.2**

INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

| | March 31/2008 | March 31/2007 |
|---|---|---|
| US dollar cash on deposits | 214 | 237 |
| US dollar short-term deposits | 1,372 | 3,868 |
| US dollar marketable securities | 17,281 | 18,480 |
| Euro cash on deposits | 244 | 39 |
| Euro short-term deposits | | 258 |
| Euro marketable securities | 22,095 | 20,085 |
| Japanese yen cash deposits | 86 | 82 |
| Japanese yen marketable securities | 515 | 490 |
| Special drawing rights | 1,090 | 1,127 |
| Gold | 7 | 7 |
| Total | 42,904 | 44,673 |
| Advances by the Consolidated Revenue Fund were denominated as follows: | | |
| US dollars (2008, $18,416 million US; (2007, $19,988 million US) | 18,904 | 23,078 |
| Euro | 21,489 | 19,366 |
| Japanese yen | 597 | 568 |
| Special drawing rights (2008, SDR 610 million; 2007, SDR 610 million) | (1,030) | (1,064) |
| Canadian dollars | 1,116 | 960 |
| Total advances from the Consolidated Revenue Fund | 41,076 | 42,908 |
| Total net income from April 1 to March 31 | 1,828 | 1,765 |
| Total | 42,904 | 44,673 |

## International Monetary Fund—Subscriptions

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of SDR, a unit of account defined in terms of a "basket" of four major currencies, the Euro, US dollar, Pound sterling and Japanese yen.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars.

In 2007-2008, receipts and other credits consisted of a valuation adjustment of $354 million.

## International Monetary Fund—Notes Payable

This account records non-marketable, non-interest bearing notes issued by the Government to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 2007-2008, notes payable to the IMF decreased by $201 million.

## Special Drawing Rights Allocations

This account records the value of SDRs allocated to Canada by the IMF. The special drawing right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There was no allocation of SDRs by the IMF to Canada during the year. In 2007-2008, payments and other charges consisted of a valuation adjustment of $43 million.

# SUPPLEMENTARY STATEMENT

## Exchange Fund Account

### MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements of the Exchange Fund Account (the Account) and all other information presented in this Annual Report rests with the Department of Finance. The operation of the Account is governed by the provisions of Part II of the *Currency Act*. The Bank of Canada administers the Account, as fiscal agent of the Government of Canada.

The financial statements were prepared in accordance with the accounting policies set out in Note 2 to the financial statements, which are consistent with those used by the Government of Canada, and do not result in any significant differences from generally accepted accounting principles in the public sector. These policies were applied on a basis consistent with that of the preceding year.

The Department of Finance establishes policies for the Account's transactions and investments, and for related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada effects transactions for the Account and maintains records, as required to provide reasonable assurance regarding the reliability of the financial statements. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of her audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are also part of the *Public Accounts of Canada* and are referred to the Standing Committee on Public Accounts for their review.

MARK CARNEY
*Governor*
*Bank of Canada*

ROB WRIGHT
*Deputy Minister*
*Department of Finance*

SHEILA VOKEY, CA
*Chief Accountant*
*Bank of Canada*

Ottawa, Canada
June 27, 2008

### AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at 31 March 2008 and the statements of revenue and cash flows for the year then ended. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at 31 March 2008 and its revenues and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part II of the *Currency Act*.

Douglas G. Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 27, 2008

## Exchange Fund Account—*Continued*

BALANCE SHEET AS AT 31 MARCH
(in millions of Canadian dollars)

| ASSETS | 2008 | 2007 |
|---|---|---|
| Cash and short-term deposits (Note 3) | 1,570 | 1,925 |
| Deposits held under repurchase agreements (Note 4) | 339 | 2,540 |
| Marketable securities (Note 5) | 39,262 | 38,463 |
| | 41,171 | 42,928 |
| Other assets — | | |
| Special drawing rights | 1,085 | 1,119 |
| Gold | 7 | 7 |
| Accrued interest (Note 6) | 641 | 619 |
| | 1,733 | 1,745 |
| | 42,904 | 44,673 |

| LIABILITIES | 2008 | 2007 |
|---|---|---|
| Due to the Consolidated Revenue Fund (Note 7) | 42,904 | 44,673 |
| | 42,904 | 44,673 |

The accompanying notes are an integral part of these financial statements.

Approved:

MARK CARNEY
*Governor*
*Bank of Canada*

ROB WRIGHT
*Deputy Minister*
*Department of Finance*

SHEILA VOKEY, CA
*Chief Accountant*
*Bank of Canada*

## Exchange Fund Account—*Continued*

STATEMENT OF REVENUE
FOR THE YEAR ENDED 31 MARCH
(in millions of Canadian dollars)

| | 2008 | 2007 |
|---|---|---|
| Revenue from investments | | |
| Marketable securities | 1,622 | 1,368 |
| Cash and short-term deposits | 72 | 109 |
| Deposits held under repurchase agreements | 89 | 105 |
| Special drawing rights | 38 | 42 |
| | 1,821 | 1,624 |
| Other revenue | | |
| Net gain on foreign exchange | 7 | 141 |
| Net revenue for the year | 1,828 | 1,765 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH
(in millions of Canadian dollars)

| | 2008 | 2007 |
|---|---|---|
| Cash flows from operating activities | | |
| Revenue from investments received | | |
| Marketable securities | 1,177 | 998 |
| Short-term deposits | 59 | 100 |
| Deposits held under repurchase agreements | 97 | 102 |
| Other | 14 | 15 |
| Purchase of marketable securities | (57,949) | (60,028) |
| Proceeds from the sale or maturity of marketable securities | 56,614 | 55,937 |
| Increase in foreign currency position | 275 | 459 |
| Decrease in foreign currency position | (1,843) | (1,563) |
| Cash used in operating activities | (1,556) | (3,980) |
| Cash flows from financing activities | | |
| Increase in advances | 15,415 | 19,418 |
| Repayment of advances | (15,888) | (17,400) |
| Cash (used in) provided by financing activities | (473) | 2,018 |
| Effects of exchange rate changes on cash and cash equivalents | (527) | (90) |
| Decrease in cash and cash equivalents | (2,556) | (2,052) |
| Cash and cash equivalents | | |
| Balance, beginning of year | 4,465 | 6,517 |
| Balance, end of year | 1,909 | 4,465 |
| Represented by: | | |
| Cash and short-term deposits | 1,570 | 1,925 |
| Deposits held under repurchase agreements | 339 | 2,540 |
| | 1,909 | 4,465 |

The accompanying notes are an integral part of these financial statements.

**Exchange Fund Account**—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

(Amounts in the notes to the financial statements are in millions of Canadian dollars, unless otherwise stated.)

1. Authority and objective

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act*. The Account is in the name of the Minister of Finance and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account. The majority of Canada's official international reserves reside inside the Account. The Account represents approximately 98 percent (98 percent as at 31 March 2007) of Canada's official reserves. The remainder of the official reserves reside in the foreign currency accounts of the Minister of Finance.

The legislative mandate of the Account is to aid in the control and protection of the external value of the Canadian dollar. The Minister of Finance empowers the Account to acquire or sell assets deemed appropriate for this purpose, in accordance with the Account's Statement of Investment Policy.

Assets held in the Account are managed to provide foreign currency liquidity to the government and to promote orderly conditions for the Canadian dollar in the foreign exchange markets, if required. Canada's current policy is to intervene in foreign exchange markets on a discretionary, rather than a systematic, basis and only in the most exceptional of circumstances. Since September 1998, no transactions were aimed at moderating movements in the value of the Canadian dollar.

In accordance with the *Currency Act*, the net revenue for the year is paid to or charged to the Consolidated Revenue Fund (CRF) of the Government of Canada within three months after the end of the fiscal year, and the Minister of Finance reports to Parliament on the operations of the Account within the first 60 days on which Parliament is sitting after the end of the fiscal year.

2. Significant accounting policies

As stipulated in the *Currency Act*, the financial statements of the Account are prepared in a manner consistent with the accounting policies used by the Government of Canada to prepare its financial statements. The financial statements of the Account are prepared for the Minister of Finance in compliance with Sections 20 and 21 of the *Currency Act*. The presentation and results of the Account using these accounting policies do not result in any significant differences from Canadian generally accepted accounting principles in the public sector.

*(a)* Reporting entity

The reporting entity of the Account is limited to those transactions permitted by a policy established by the Minister of Finance. For that purpose, the following operations are recorded in the Account:

*i.* All proceeds, earnings, and interest from transactions relating to the assets are credited to the Account, along with all amounts received on the maturity of deposits, securities, and notes held for the Account.

*ii.* The annual net revenue of the Account is paid to the CRF (or charged to the CRF when net revenue is a negative amount).

Interest-free advances to the Account from the CRF are authorized by the Minister under the terms and conditions prescribed by the Minister of Finance.

The Account's administrative, custodial, and fiscal agency services are provided and paid for by the Bank of Canada. These costs are not recognized in the financial statements.

*(b)* Use of estimates

The preparation of the financial statements of the Account requires management to make estimates and assumptions, based on information available as of the date of the financial statements. The most significant use of estimates is in the presentation of assets at fair value and disclosure of the notional cost of advances.

*(c)* Translation of foreign currencies and Special Drawing Rights

Assets and advances denominated in foreign currencies and special drawing rights (SDRs) are translated into Canadian dollar equivalents at rates prevailing on the balance sheet dates, which were as follows:

| | 2008 | 2007 |
|---|---|---|
| US dollars | 1.0265 | 1.1546 |
| Euros | 1.6205 | 1.5424 |
| Japanese yen | 0.0103 | 0.0098 |
| SDRs | 1.6881 | 1.7437 |

Gains or losses resulting from the translation of assets and advances denominated in foreign currencies and SDRs, as well as on transactions throughout the fiscal year, are recorded as net foreign exchange gains or losses and are included in the category *Other revenue* in the *Statement of Revenue*.

Investment revenue in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the revenue is earned.

**Exchange Fund Account**—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008—*Continued*

*(d)* Revenue

Revenue from investments is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts, gains or losses on sales of securities, and revenues from securities lending activities. Interest is accrued on short-term deposits, deposits held under repurchase agreements, marketable securities, and special drawing rights.

*(e)* Assets

Short-term deposits

Short-term deposits are money market transactions where the Account invests funds with designated counterparties. Short-term deposits are recorded at cost and are generally held to maturity.

Deposits held under repurchase agreements

Deposits held under repurchase agreements are money market transactions where the Account invests funds on a secured basis with designated counterparties at prevailing market rates based on tri-party reverse repurchase agreements. The collateral on these transactions is held by a tri-party custodian. Deposits held under repurchase agreements are recorded at the amount originally invested.

Marketable securities

Marketable securities are recorded at cost and are adjusted for amortization of purchase discounts and premiums on a straight-line basis over the term to maturity of the security. Purchases and sales of securities are recorded at the settlement dates.

Write-downs to reflect other than temporary impairment in the fair value of securities are included in *Revenue from investments* in the *Statement of Revenue*.

Special drawing rights

The special drawing rights (SDRs) serves as the unit of account of the International Monetary Fund (IMF) and its value is based on a basket of key international currencies. SDRs are recorded at fiscal year-end market value.

Gold

Gold is carried in the Account at a value of 35 SDRs per fine ounce, which approximates cost and conforms to the value used in the *Public Accounts of Canada*.

*(f)* Securities lending program

The Account has agency agreements with two major financial institutions. Loans of securities are effected on behalf of the Account by these agents who guarantee the loans and obtain collateral of equal or greater value from their approved counterparties in these transactions. The securities loaned continue to be accounted for as investment assets. Revenue from the securities-lending program is included in *Revenue from marketable securities* in the *Statement of Revenue*.

3. Cash and short-term deposits

| | 2008 Carrying value | 2007 Carrying value |
|---|---|---|
| Cash— | | |
| US dollars | 214 | 238 |
| Euros | 244 | 295 |
| Japanese yen | 86 | 82 |
| Short-term deposits— | | |
| US dollars | 1,026 | 1,310 |
| | 1,570 | 1,925 |

At 31 March 2008, the weighted-average yield to maturity on short-term deposits was 3.30 percent (5.21 percent at 31 March 2007), and the term to maturity was less than 3 months (less than 3 months at 31 March 2007).

4. Deposits held under repurchase agreements

Deposits held under repurchase agreements are denominated in US dollars. At 31 March 2008, the weighted-average yield to maturity on deposits held under repurchase agreements was 3.16 percent (5.21 percent at 31 March 2007), and the term to maturity was less than 3 months (less than 3 months at 31 March 2007). The fair value of collateral held on these transactions was $346 million ($2,591 million at 31 March 2007).

## Exchange Fund Account—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008—*Continued*

### 5. Marketable securities

| | Term to maturity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | | | | | | | | | 2007 |
| | Under 6 months | | 6 months to 1 year | | 1 to 5 years | | Over 5 years | | Total | Total |
| | Carrying value | Yield % | Carrying value | Yield % | Carrying value | Yield % | Carrying value | Yield % | Carrying value | Carrying value |
| US dollar— | | | | | | | | | | |
| Corporation | 77 | 3.08 | | | | | | | 77 | |
| Commercial Banks | 948 | 3.23 | | | | | | | 948 | 922 |
| Sovereign | 4,135 | 2.68 | | | | | 927 | 4.34 | 5,062 | 5,504 |
| Supra National | 430 | 3.37 | 66 | 4.92 | 611 | 4.89 | 2,098 | 4.84 | 3,205 | 4,577 |
| Agencies and other | 3,777 | 2.97 | 267 | 4.87 | 1,594 | 4.68 | 2,191 | 4.87 | 7,829 | 7,364 |
| | 9,367 | | 333 | | 2,205 | | 5,216 | | 17,121 | 18,367 |
| Euro— | | | | | | | | | | |
| Sovereign | 3,096 | 3.56 | 387 | 3.83 | 3,955 | 3.68 | 3,888 | 4.00 | 11,326 | 10,844 |
| Supra National | 81 | 4.05 | | | 986 | 4.31 | 1,483 | 4.13 | 2,550 | 1,532 |
| Agencies and other | 560 | 3.92 | 745 | 3.33 | 3,996 | 3.90 | 2,449 | 4.04 | 7,750 | 7,230 |
| | 3,737 | | 1,132 | | 8,937 | | 7,820 | | 21,626 | 19,606 |
| Japanese yen— | | | | | | | | | | |
| Sovereign | | | 515 | 1.91 | | | | | 515 | 490 |
| | | | 515 | | | | | | 515 | 490 |
| Total securities | 13,104 | | 1,980 | | 11,142 | | 13,036 | | 39,262 | 38,463 |

The yield in the above table represents the weighted average yield to maturity based on the carrying value at the end of the fiscal year for the respective securities.

At 31 March 2008, the unamortized premium/discount on marketable securities amounts to $6 million ($4 million at 31 March 2007).

At 31 March 2008, a portion of the Account's holdings of US government securities, consisting of US$2,182 million (par value) in Treasury Bills (US$2,355 million (par value) at 31 March 2007) and US$713 million (par value) in Treasury Notes (US$359 million (par value) at 31 March 2007), is being used in securities-lending operations with financial institutions.

### 6. Accrued interest

| | 2008 | 2007 |
|---|---|---|
| Accrued interest— | | |
| Cash and short-term deposits | 5 | 7 |
| Deposits held under repurchase agreements | 2 | 11 |
| Marketable securities— | | |
| US dollar | 160 | 114 |
| Euro | 469 | 479 |
| SDRs | 5 | 8 |
| | 641 | 619 |

The fair value of the accrued interest is deemed equal to carrying value given the short term to maturity.

**Exchange Fund Account**—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008—*Continued*

7. Due to the Consolidated Revenue Fund (CRF)—Advances

The Account is funded by the Government of Canada through advances from the CRF. These advances are limited to $60 billion by order of the Minister of Finance dated 30 December 2005.

The CRF advances the proceeds of Canada's borrowings in foreign currencies and allocations of SDRs by the IMF to the Account. Subsequent repayments of foreign currency debt are made using the assets of the Account and result in reductions in the level of foreign currency advances from the CRF. Interest payable by Canada on borrowings in foreign currencies and charges on allocations of SDRs to Canada are charged directly to the CRF.

The Account requires Canadian dollar advances to settle its purchases of foreign currencies. Canadian dollars received from sales of foreign currencies are remitted to the CRF. This, together with foreign currency payments made on behalf of the Government of Canada cause reductions in the level of outstanding Canadian-dollar advances, and can result in overall net deposits of Canadian dollars by the Account with the CRF.

At 31 March, advances from the CRF were comprised of the following currencies:

| | 2008 | 2007 |
|---|---|---|
| US dollars | 18,904 | 23,078 |
| Euros | 21,489 | 19,366 |
| Japanese yen | 598 | 568 |
| SDRs | (1,030) | (1,064) |
| Subtotal — Foreign currencies | 39,961 | 41,948 |
| Canadian dollars | 1,115 | 960 |
| Net revenue | 1,828 | 1,765 |
| Total advances | 42,904 | 44,673 |

For the year ended 31 March 2008, the notional cost of funds advanced by the CRF to the Account is $1,792 million ($1,813 million for the year ended 31 March 2007). The notional cost of advanced funds is comprised of the actual interest costs on foreign denominated debt and cross currency swaps for foreign currency advances, and an imputed interest cost calculated using the average funding rate of outstanding Government of Canada market debt, applicable to the net of Canadian dollar and SDR currency advances.

8. Financial instruments

The role of the Account as principal repository of Canada's official international reserves determines the nature of its assets and of its operations, as well as its use of financial instruments.

*(a)* Credit risk

Credit risk is the risk that a counterparty to a financial contract will fail to discharge its obligations in accordance with agreed upon terms.

To ensure that the Account's asset portfolio is prudently diversified with respect to credit risk, the Statement of Investment Policy prescribed by the Minister of Finance specifies limits on holdings by class of issuer (sovereign, agency, supranational, corporation or commercial financial institution) and type of instrument. There are also limits on exposure to any one issuer or counterparty.

With respect to the Statement of Investment Policy, the Account may hold fixed income securities of highly rated sovereigns, central banks, government-supported entities and supranational organizations. To be eligible for investment, an entity must have a credit rating in the top seven categories from two of four designated rating agencies (Standard & Poor's, Moody's, Fitch, and Dominion Bond Rating Service). The Account may also make deposits and execute other transactions, up to prescribed limits, with commercial financial institutions that meet the same rating criteria.

Through the securities-lending program, agents can lend securities only up to a prescribed maximum amount and only to a list of counterparties approved by the Government. Each borrower must enter into a Securities Loan Agreement with either of the agents. Borrowers are also required to provide collateral for securities borrowed, according to a specific list approved by the Government. Collateral is limited to specific security types, terms to maturity, and credit ratings. The agents also provide an indemnity in the event of default by the borrower. The Account enters into securities lending in order to increase its return on investments.

*(b)* Interest rate and foreign currency risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate and foreign currency risks are managed, with due consideration of the risk to the Government of Canada, through the asset-liability management policy. This policy utilizes a strategy of matching the duration structure and the currency of the Account's assets with the foreign currency borrowings of the Government of Canada that notionally finance the Account's assets.

## Exchange Fund Account—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008—*Concluded*

*(c)* Fair value of financial instruments

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Carrying value and accrued interest | Fair value | Carrying value and accrued interest | Fair value |
| Investments— | | | | |
| Cash and short-term deposits | 1,575 | 1,575 | 1,932 | 1,932 |
| Deposits held under repurchase agreements | 341 | 341 | 2,551 | 2,551 |
| Marketable securities— | | | | |
| US dollar | 17,281 | 17,811 | 18,481 | 18,466 |
| Euro | 22,095 | 22,070 | 20,085 | 19,893 |
| Japanese yen | 515 | 522 | 490 | 501 |
| | 41,807 | 42,319 | 43,539 | 43,343 |
| SDRs | 1,090 | 1,090 | 1,127 | 1,127 |
| Gold | 7 | 104 | 7 | 83 |
| | 42,904 | 43,513 | 44,673 | 44,553 |

The estimated fair value of cash, short-term deposits, deposits held under repurchase agreements and SDRs is deemed equal to their carrying value given their short term to maturity.

Estimated fair values of marketable securities are based on quoted market prices. Prevailing market conditions at 31 March 2008 reduced fair values on Euro marketable securities below carrying values. As it is uncertain that these conditions reflect other than temporary impairment in the fair value, these securities have not been written-down to fair value.

The estimated fair value of gold is based on London fixings of $958.24 at 31 March 2008 ($764.06 at 31 March 2007) per fine ounce.

9. Commitments

*(a)* Currency swaps

Currency swaps are interest rate swaps in different currencies involving the exchange of principal amounts at inception and at maturity. The Account may enter into short-term currency swap arrangements with the Bank of Canada to assist the Bank in its cash-management operations. There were no drawings under this facility during the year ended 31 March 2008 or during the year ended 31 March 2007, and there were no commitments outstanding as at 31 March 2008.

*(b)* Foreign currency forward contracts

A foreign currency forward contract is a commitment to purchase or sell a foreign currency at a fixed rate for delivery on a specified future date. In the normal course of operations, the Account enters into foreign currency contracts. As at 31 March 2008, the Account was under contract to sell $15 million ($18 million at 31 March 2007) of foreign currency. Unrealized gains (losses) on foreign currency contracts are calculated using the 31 March 2008 exchange rates. As of that date, there were no unrealized net gains (losses) included in net revenue (nil at 31 March 2007). Outstanding foreign currency contracts were settled by 1 April 2008.

*(c)* Investment contracts

In the normal course of operations, the Account enters into investment contracts. The following table presents the fair value of investment contracts with contractual amounts outstanding at 31 March 2008. Outstanding investment contracts were settled by 3 April 2008.

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Contractual value | Fair value | Contractual value | Fair value |
| Marketable securities— | | | | |
| US dollars— | | | | |
| Purchases | (22) | (22) | (115) | (115) |
| Sales | 22 | 22 | 116 | 116 |
| Euro— | | | | |
| Purchases | (495) | (494) | (35) | (35) |
| Sales | 499 | 498 | 36 | 36 |

10. Comparative figures

Certain of the 2007 comparative figures have been reclassified to conform to the current year's presentation.

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# SECTION 9

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

# Loans, Investments and Advances

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## LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada acquired through the use of parliamentary appropriations, except for the portion of the investment balances representing adjustments for the equity of enterprise Crown corporations and other government business enterprises. Some of these appropriations permit repayments to be used for further loans and advances. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II.

The investment in enterprise Crown corporations and other government business enterprises is accounted for under the modified equity method and is carried at cost which is adjusted for the annual profits or losses of the enterprises and reduced by any dividends paid by the corporations to the Government. Under the modified equity approach, the accounting policies of the enterprise Crown corporations and other government business enterprises are not adjusted to conform to the Government's accounting policies. The Government also reports any amounts receivable from or payable to these corporations.

Other loans, investments and advances are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. Foreign currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Balances of loans, investments and advances resulting from foreign currency transactions are reported at year-end closing rates of exchange; net gains and losses related to these sovereign loans are presented with the return on investments from these loans under other program revenues.

The allowance established to reflect reductions from the recorded value to the estimated realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under subsection 63(2) of the *Financial Administration Act*.

Revenues received during the year on loans, investments and advances, are credited to other revenues; details are provided in Section 3 of this volume and in Section 11 of Volume III.

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

### TABLE 9.1
LOANS, INVESTMENTS AND ADVANCES

| | April 1/2007 | Payments and other charges | Receipts and other credits | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Enterprise Crown corporations and other government business enterprises, Table 9.2 | 23,683,053,387 | 9,395,581,617 | 2,911,468,017 | 30,167,166,987 |
| Portfolio investments, Table 9.11 | 115,733,062 | 40,337,170 | 40,337,915 | 115,732,317 |
| National governments including developing countries, Table 9.12 | 696,970,295 | 46,543,568 | 188,917,092 | 554,596,771 |
| International organizations, Table 9.13 | 14,155,414,514 | 534,357,540 | 213,843,471 | 14,475,928,583 |
| Provincial and territorial governments, Table 9.14 | 4,643,272,753 | 1,430,322,044 | 2,329,907,633 | 3,743,687,164 |
| Other loans, investments and advances, Table 9.15 | 18,985,364,027 | 4,519,584,750 | 4,109,908,427 | 19,395,040,350 |
| | 62,279,808,038 | 15,966,726,689 | 9,794,382,555 | 68,452,152,172 |
| Less: allowance for valuation | 17,185,561,412 | 520,676,123 | 917,831,347 | 17,582,716,636 |
| Total | 45,094,246,626 | 16,487,402,812 | 10,712,213,902 | 50,869,435,536 |

## Enterprise Crown Corporations and Other Government Business Enterprises

Loans and advances to, and investments in, enterprise Crown corporations and other government business enterprises represent the balance of financial claims held by the Government against corporations for working capital, capital expenditures and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries.

Enterprise Crown corporations are a type of government business enterprise that are defined as those Crown corporations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected Crown corporations listed in Part I, all the Crown corporations listed in Part II of Schedule III of the *Financial Administration Act* and the Bank of Canada. Although a Crown corporation, the Canada Pension Plan Investment Board is not part of the Government reporting entity since its mandate is to manage an investment portfolio on behalf of the Canada Pension Plan which is itself excluded from the reporting entity.

There are also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are controlled by the Government and in most cases accountable to Parliament through a Minister of the Crown for the conduct of their affairs. These are referred to as "other government business enterprises" and include the Canadian Wheat Board and the various Port Authorities.

Most of the enterprise Crown corporations and other government business enterprises are agents of Her Majesty for the conduct of all or part of their activities. This status is granted in one of the following ways:

*i.* designation by Parliament, through a special act of incorporation;

*ii.* statutory authorization; or,

*iii.* proclamation by the *Government Corporations Operation Act*.

Further information on the business and activities of all parent Crown corporations and information on all Crown corporations and other corporate interest of Canada is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. Although no longer included as part of this Report, a compilation of the audited financial statements of the parent Crown corporations is also available upon request.

Table 9.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to enterprise Crown corporations and other government business enterprises.

## TABLE 9.2
## ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

| | April 1/2007 | Payments and other charges | Receipts and other credits | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Investments—** | | | | |
| Investments and accumulated profits/losses (Table 9.5) | 20,353,542,950 | 4,289,511,000 | 2,436,024,000 | 22,207,029,950 |
| **Loans and advances**[1]**—** | | | | |
| Canada Mortgage and Housing Corporation— | | | | |
| Housing | 3,280,547,927 | | 111,102,363 | 3,169,445,564 |
| Real estate | 50,414,408 | | 6,760,100 | 43,654,308 |
| Joint projects | 890,408,552 | | 61,233,760 | 829,174,792 |
| Student housing projects | 199,389,816 | | 14,585,295 | 184,804,521 |
| Sewage treatment projects | 225,949,040 | | 60,985,270 | 164,963,770 |
| Assisted home ownership | 4,500,606 | | 3,764,269 | 736,337 |
| | *4,651,210,349* | | *258,431,057* | *4,392,779,292* |
| Finance— | | | | |
| Business Development Bank of Canada | | 1,000,000,000 | | 1,000,000,000 |
| Canada Lands Company Limited | 49,089,763 | 6,133,750 | 17,778,715 | 37,444,798 |
| Farm Credit Canada | | 3,840,000,000 | | 3,840,000,000 |
| | *49,089,763* | *4,846,133,750* | *17,778,715* | *4,877,444,798* |
| Other— | | | | |
| Canadian Dairy Commission | 45,957,000 | 206,056,000 | 155,112,000 | 96,901,000 |
| Export Development Canada— | | | | |
| Softwood Lumber Program | 3,445,325 | | 3,445,325 | |
| | *49,402,325* | *206,056,000* | *158,557,325* | *96,901,000* |
| Total—Loans and advances | 4,749,702,437 | 5,052,189,750 | 434,767,097 | 9,367,125,090 |
| Subtotal | 25,103,245,387 | 9,341,700,750 | 2,870,791,097 | 31,574,155,040 |
| Less: | | | | |
| Amount expected to be repaid from future appropriations | 1,420,192,000 | 32,065,700 | | 1,388,126,300 |
| Unamortized discounts and premiums | | 21,815,167 | 40,676,920 | 18,861,753 |
| Total | 23,683,053,387 | 9,395,581,617 | 2,911,468,017 | 30,167,166,987 |

(1) These loans are recorded at cost.

The results and financial position of enterprise Crown corporations and other government business enterprises are detailed at Tables 9.3 to 9.5. These tables also show the breakdown of the equity of each corporation between accumulated profits and losses, contributed surplus and capital stock, as well as the details of the Government's investment under the modified equity accounting method.

The Government of Canada has also made loans and advances to various enterprise Crown corporations and other government business enterprises. The following describes loans which were outstanding as of March 31, 2008 or 2007.

### Canada Mortgage and Housing Corporation

The Corporation was incorporated, on January 1, 1946, by the *Canada Mortgage and Housing Corporation Act*. The Corporation's mandate, as stated in the *National Housing Act*, is to promote the construction, repair and modernization of housing and living conditions, housing affordability and choice, the availability of low-cost financing for housing, and the national well-being of the housing sector. Advances have been made to the Canada Mortgage and Housing Corporation to support various programs undertaken by the Corporation.

*Housing*

Advances made for moderate to low income housing bear interest at rates from 4.13 percent to 16.10 percent per annum, and are repayable over 1 to 50 years, with the final instalment on March 31, 2037.

*Real estate*

Advances made for the acquisition and development of real estate bear interest at rates from 9.50 percent to 15.00 percent per annum, and are repayable over 50 years, with the final instalment on June 30, 2036.

*Joint projects*

Advances made to undertake housing projects jointly with the provinces bear interest at rates from 3.50 percent to 17.96 percent per annum, and are repayable over 1 to 50 years, with the final instalment on June 30, 2038.

*Student housing projects*

Advances made for student housing projects bear interest at rates from 5.00 percent to 10.05 percent per annum, and are repayable over 20 to 50 years, with the final instalment on April 1, 2030.

*Sewage treatment projects*

Advances made to assist in the establishment or expansion of sewage treatment projects and the construction of trunk storm sewers bear interest at rates from 5.00 percent to 10.02 percent per annum, and are repayable over 20 to 50 years, with the final instalment on March 31, 2023.

*Assisted home ownership*

Advances made for owner-occupied housing bear interest at rates from 8.58 percent to 8.62 percent per annum, and are repayable over 18 to 20 years, with the final instalment on December 31, 2008.

## Business Development Bank of Canada

*Direct lending to Crown corporations*

The Business Development Bank of Canada ("The Corporation") was established in 1974 by the *Federal Business Development Bank of Canada Act*, continued under its current name by an Act of Parliament on July 13, 1995 and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation is wholly-owned by the Government of Canada and is not subject to the requirements of the *Income Tax Act*.

The role of the Corporation is to promote and assist in the establishment and development of business enterprises in Canada, with specific attention to small and medium-sized businesses. The Corporation provides a wide range of lending, investment and consulting services complementary to those of commercial financial institutions. The Corporation offers Canadian companies services tailored to meet the current needs of small and medium-sized businesses while earning an appropriate return on investment capital, which is used to further the Corporation's activities.

Pursuant to Section 19 of the *Business Development Bank of Canada Act*, the federal government has made short-term funding available to the Corporation.

Loans have been made to the Corporation for a total amount of $1,000,000,000. The loans bear interest from 2.025 percent to 3.239 percent and are repayable within one year.

## Canada Lands Company Limited

Canada Lands Company Limited (originally Public Works Lands Company Limited) was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. The Corporation conducts its business through Canada Lands Company CLC Limited (CLC), its principal wholly-owned subsidiary. CLC's objective is to carry out a commercially-oriented and orderly disposal program of certain Government real properties and the management of certain select properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in the capacity of owner or as agent of the Government.

CLC has acquired an interest in a number of real properties from the Government in consideration for the issuance of promissory notes, which bear no interest and are repayable from the proceeds of the sale of the properties in respect of which they were issued. The notes were discounted using the Consolidated Revenue Fund lending rate applicable to Crown corporations and recorded at their discounted value.

During the year, new notes have been issued for an amount of $1.0 million. An amount of $17.7 million was repaid during the year and an amount of $5.2 million was amortized to income. The balance in the account represents the balance of the notes receivable net of the corresponding unamortized discount.

## Farm Credit Canada

*Direct lending to Crown corporations*

The Farm Credit Canada ("The Corporation") was established in 1959 by the *Farm Credit Act* as the successor to the Canadian Farm Loan Board, and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation is wholly-owned by the Government of Canada and is not subject to the requirements of the *Income Tax Act*.

The Corporation's role is to enhance rural Canada by providing business and financial solutions for farm families and agribusiness. Additionally, the Corporation may deliver specific programs for the Government of Canada on a cost recovery basis.

Pursuant to Section 12(2) of the *Farm Credit Canada Act*, the federal government has made short-term funding available to the Corporation.

Loans have been made to the Corporation for a total amount of $3,840,000,000. The loans bear interest from 2.025 percent to 3.862 percent and are repayable within one year.

## Canadian Dairy Commission

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is $300,000,000 in accordance with the *Canadian Dairy Commission Act*. Currently, the Minister of Finance has authorized $120,000,000 for borrowings from the Consolidated Revenue Fund and $50,000,000 for a line of credit with members of the Canadian Payments Association.

The loans bear interest at rates from 2.1502 percent to 4.3705 percent per annum, and are repayable within one year.

## Export Development Canada

*Softwood Lumber Program*

The Corporation was established by the *Export Development Act* to support and develop trade between Canada and other countries and Canada's competitiveness in the international market-place.

Pursuant to Section 23 of the *Export Development Act*, the Government of Canada designated Export Development Canada (EDC) to administer the return of softwood lumber duty deposits and interest owed to Canadian companies by the United States Government. The Softwood Lumber Agreement between the governments of the United States of America and Canada was authorized effective October 12, 2006.

Under the arrangement, EDC had purchased the rights to the duties and interest owed to Canadian softwood producers opting to participate in the deposit refund mechanism, with funds advanced from the Consolidated Revenue Fund (CRF).

The remaining balance as at March 31st has been repaid in full. All outstanding matters in relation to the agreement were settled during 2007-2008 and there are no amounts remaining due or receivable as at March 31, 2008.

During the year, the account was closed.

## Interest paid to the Government

Interest paid to the Government of Canada with respect to these loans in the years ended March 31, 2008 and 2007 is as follows:

| | 2007-2008 | 2006-2007 |
|---|---|---|
| | (in millions of dollars) | |
| Corporation | | |
| Business Development Bank of Canada | 1.9 | |
| Canada Mortgage and Housing Corporation | 412.3 | 429.6 |
| Canadian Dairy Commission | 2.1 | 3.2 |
| Farm Credit Canada | 19.9 | |
| Total | 436.2 | 432.8 |

## Summary Financial Statements of Enterprise Crown Corporations and Other Government Business Enterprises

The following tables display details of the assets, liabilities, equity, revenues and expenses of enterprise Crown corporations and other government business enterprises.

Tables 9.3 to 9.5 present the assets, liabilities, equity, revenues, expenses and other changes in equity of enterprise Crown corporations and other government business enterprises grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations named in Part I of Schedule III of the *Financial Administration Act* and of other competitive and self-sustaining government business enterprises.

For those corporations having year ends other than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements. However, effective January 1, 2007, new accounting standards related to financial instruments began being adopted by Crown corporations with year ends on or after December 31, 2007. Therefore, the financial results for all these corporations at March 31, 2008 reflect these new accounting standards as discussed in Note 4 to the financial statements in Section 2 of this volume.

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation and other government business enterprises in accordance with its own respective accounting policies. Most enterprise Crown corporations follow the generally accepted accounting principles (GAAP) used by private sector companies, as outlined in the *Handbook of the Canadian Institute of Chartered Accountants*.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between third parties and Government, Crown corporations and other entities. The financial assets reported under Government, Crown corporations and other entities represent receivables, loans and investments between related parties. Non-financial assets represent the unexpensed portion of capital assets, inventories and prepayments such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government, Crown corporations and other entities. Borrowings from third parties represent amounts repayable to financial institutions and other investors. Other liabilities are amounts due in respect of purchases, employee future benefits and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable. The liabilities reported under Government, Crown corporations and other entities represent payables and borrowings between related parties.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations, when applicable. Expenses are segregated between third parties and Government, Crown corporations and other entities. Equity adjustments and other include prior period adjustments and other miscellaneous items as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as equity contributions provided by the Government. Other comprehensive income comprises unrealized gains and losses that are recognized in comprehensive income, but excluded from net income. Upon realization, these gains and losses are included in net income. Any intergovernmental transactions are eliminated as part of the modified equity accounting adjustment.

These tables present consolidated financial information on parent enterprise Crown corporations, unconsolidated wholly-owned subsidiaries and other government business enterprises.

Enterprise Crown corporations and other government business enterprises are also categorized as being either agents or non-agents of the Crown. Agent status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In some situations, agent status may be restricted to certain designated activities of a corporation.

A summary of financial assistance to enterprise Crown corporations and other government business enterprises for the year ended March 31, 2008 is provided in Table 9.10.

## TABLE 9.3

### SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES BY SEGMENT

(in thousands of dollars)

| | Competitive, self-sustaining | Bank of Canada | Lending and insurance | Marketing | Other | Total |
|---|---|---|---|---|---|---|
| ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2008 | | | | | | |
| Assets | | | | | | |
| Financial— | | | | | | |
| Third parties | 1,829,025 | 3,379,091 | 202,728,388 | 3,805,298 | 44,726 | 211,786,528 |
| Government and Crown corporations | 1,199,204 | 49,234,715 | 6,289,594 | 19,159 | 53,485 | 56,796,157 |
| Total financial assets | 3,028,229 | 52,613,806 | 209,017,982 | 3,824,457 | 98,211 | 268,582,685 |
| Non-financial assets | 5,654,753 | 150,713 | 942,919 | 1,518,929 | 32,127 | 8,299,441 |
| Total assets as reported | 8,682,982 | 52,764,519 | 209,960,901 | 5,343,386 | 130,338 | 276,882,126 |
| Elimination adjustments | 89,457 | | (6,847) | | | 82,610 |
| Total assets | 8,772,439 | 52,764,519 | 209,954,054 | 5,343,386 | 130,338 | 276,964,736 |
| Liabilities | | | | | | |
| Third parties— | | | | | | |
| Borrowings | 360,965 | | 170,864,439 | 4,066,137 | 9,016 | 175,300,557 |
| Bank of Canada notes in circulation and amounts owing to depositors | | 48,050,960 | | | | 48,050,960 |
| Other liabilities | 4,027,425 | 124,206 | 11,939,349 | 1,128,550 | 78,275 | 17,297,805 |
| Government and Crown corporations | 251,409 | 4,370,335 | 9,299,074 | 102,192 | 85,374 | 14,108,384 |
| Total liabilities | 4,639,799 | 52,545,501 | 192,102,862 | 5,296,879 | 172,665 | 254,757,706 |
| Equity of Canada as reported | 4,043,183 | 219,018 | 17,858,039 | 46,507 | (42,327) | 22,124,420 |
| Elimination adjustments | 89,457 | | (6,847) | | | 82,610 |
| Equity of Canada | 4,132,640 | 219,018 | 17,851,192 | 46,507 | (42,327) | 22,207,030 |
| Total liabilities and equity | 8,772,439 | 52,764,519 | 209,954,054 | 5,343,386 | 130,338 | 276,964,736 |
| Contingent liabilities | 37,907 | 59,846 | 3,229,166 | | 17,126 | 3,344,045 |
| Contractual obligations | 1,395,890 | | 8,145,078 | 1,630,778 | 7,706 | 11,179,452 |
| REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2008 | | | | | | |
| Revenues | | | | | | |
| Third parties | 8,606,960 | 43,209 | 11,549,858 | 5,476,378 | 234,190 | 25,910,595 |
| Government and Crown corporations— | | | | | | |
| Financial assistance | | | | 15,185 | | 15,185 |
| Other | 674,351 | 2,408,239 | 367,675 | 122,816 | 36,966 | 3,610,047 |
| Total revenues | 9,281,311 | 2,451,448 | 11,917,533 | 5,614,379 | 271,156 | 29,535,827 |
| Expenses | | | | | | |
| Third parties | 8,533,481 | 309,281 | 8,970,790 | 5,488,722 | 253,044 | 23,555,318 |
| Government and Crown corporations | 424,773 | 147,742 | 1,066,478 | 126,442 | 19,529 | 1,784,964 |
| Total expenses | 8,958,254 | 457,023 | 10,037,268 | 5,615,164 | 272,573 | 25,340,282 |
| Net income/loss(-) for the year | 323,057 | 1,994,425 | 1,880,265 | (785) | (1,417) | 4,195,545 |
| Equity of Canada, beginning of the year as reported | 3,931,187 | 29,800 | 16,309,035 | 43,987 | (40,347) | 20,273,662 |
| Adjustments | (6,014) | 26,594 | 6,782 | 3,305 | (23) | 30,644 |
| Elimination adjustments | 89,457 | | (6,847) | | | 82,610 |
| Other comprehensive income | 6,314 | 89,218 | (61,069) | | (540) | 33,923 |
| Equity transactions with the Government— | | | | | | |
| Dividends | (211,361) | (1,921,019) | (276,974) | | | (2,409,354) |
| Capital | | | | | | |
| Equity of Canada, end of the year | 4,132,640 | 219,018 | 17,851,192 | 46,507 | (42,327) | 22,207,030 |

## TABLE 9.4

## FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES —ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2008

(in thousands of dollars)

| | Assets | | | |
|---|---|---|---|---|
| | Financial | | | |
| Enterprise Crown corporations and other government business enterprises[1] | Third parties | Government, Crown corporations and other entities | Non-financial | Total assets |
| **Competitive, self-sustaining** | | | | |
| Blue Water Bridge Authority | 13,598 | 53,368 | 119,611 | 186,577 |
| Canada Development Investment Corporation | 20,337 | 43,902 | 2 | 64,241 |
| Canada Hibernia Holding Corporation | 95,631 | 83,682 | 205,574 | 384,887 |
| Canada Lands Company Limited | 66,000 | 188 | 296,539 | 362,727 |
| Parc Downsview Park Inc. | 618 | 352 | 15,666 | 16,636 |
| Canada Post Corporation | 1,274,648 | 915,380 | 3,005,481 | 5,195,509 |
| Halifax Port Authority[2] | 8,844 | 388 | 139,068 | 148,300 |
| Montreal Port Authority[2] | 63,658 | 61,584 | 230,362 | 355,604 |
| Quebec Port Authority[2] | 33,081 | 524 | 123,479 | 157,084 |
| Ridley Terminals Inc. | 7,969 | 402 | 19,051 | 27,422 |
| Royal Canadian Mint | 43,725 | 20,960 | 213,870 | 278,555 |
| Saint John Port Authority[2] | 8,805 | 9,664 | 64,508 | 82,977 |
| Toronto Port Authority[2] | 22,114 | | 57,321 | 79,435 |
| Vancouver Fraser Port Authority[3] | 57,245 | 926 | 781,391 | 839,562 |
| Other Canada Port Authorities[2][4] | 112,752 | 7,884 | 382,830 | 503,466 |
| *Total – Competitive, self-sustaining* | *1,829,025* | *1,199,204* | *5,654,753* | *8,682,982* |
| ***Bank of Canada*** | *3,379,091* | *49,234,715* | *150,713* | *52,764,519* |
| **Lending and Insurance** | | | | |
| Business Development Bank of Canada | 11,279,397 | | 144,169 | 11,423,566 |
| Canada Deposit Insurance Corporation | 428,677 | 1,232,012 | 1,512 | 1,662,201 |
| Canada Mortgage and Housing Corporation | 16,022,711 | 118,028 | 84,898 | 16,225,637 |
| Canada Housing Trust | 125,747,388 | 1,871,396 | | 127,618,784 |
| Insurance Programs | 9,724,829 | 2,888,463 | 94,320 | 12,707,612 |
| Mortgage Backed Securities Guarantee Fund | 473,461 | 119,312 | 3,376 | 596,149 |
| Export Development Canada | 23,703,285 | 20,078 | 533,133 | 24,256,496 |
| Farm Credit Canada | 15,348,640 | 40,305 | 81,511 | 15,470,456 |
| *Total – Lending and insu.* | *202,728,388* | *6,289,594* | *942,919* | *209,960,901* |
| **Marketing** | | | | |
| Canadian Commercial Corporation | 533,662 | 12,651 | 3,835 | 550,148 |
| Canadian Dairy Commission – Marketing operations | 21,210 | | 148,152 | 169,362 |
| Canadian Wheat Board, The | 3,244,147 | 6,508 | 1,344,510 | 4,595,165 |
| Freshwater Fish Marketing Corporation | 6,279 | | 22,432 | 28,711 |
| *Total – Marketing* | *3,805,298* | *19,159* | *1,518,929* | *5,343,386* |
| **Other** | | | | |
| Atlantic Pilotage Authority | 2,790 | | 8,015 | 10,805 |
| Great Lakes Pilotage Authority | 245 | | 160 | 405 |
| Laurentian Pilotage Authority | 7,235 | | 872 | 8,107 |
| Pacific Pilotage Authority | 7,010 | 1,040 | 9,805 | 17,855 |
| St.Lawrence Seaway Management Corporation | 18,111 | 45,109 | 13,275 | 76,495 |
| Capital Fund Trust | 2,508 | 168 | | 2,676 |
| Employee Termination Benefits Trust Fund | 6,827 | 7,168 | | 13,995 |
| *Total – Other* | *44,726* | *53,485* | *32,127* | *130,338* |
| Total | 211,786,528 | 56,796,157 | 8,299,441 | 276,882,126 |
| Elimination adjustments | | 82,610 | | 82,610 |
| Total | 211,786,528 | 56,878,767 | 8,299,441 | 276,964,736 |

(1) All enterprise Crown corporations listed at the margin in this table are parent Crown corporations except for Canadian Dairy Commission.
Although a Crown corporation, Canada Pension Plan Investment Board is designed to operate at arm's length from the Government and manages, on behalf of the Canada Pension Plan, funds not belonging to the Government, therefore, it is considered external to the Government reporting entity. The Public Sector Pension Investment Board is not included in the above list since its activities are included in the Government's results through pension accounting.

(2) Canada Port Authorities, which are not Crown corporations but considered government business enterprises, are agents of the Crown for their port activities.

(3) On January 1, 2008, the port authorities Fraser River Port Authority, North Fraser Port Authority and Vancouver Port Authority amalgamated to continue as the Vancouver Fraser Port Authority.

(4) Consists of the combined figures of the Canada Port Authorities of Belledune, Hamilton, Nanaimo, Port Alberni, Prince Rupert, Saguenay, Sept-Îles, St. John's, Thunder Bay, Trois-Rivières and Windsor.

| Liabilities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Third parties | | | | | | | | |
| Borrowings | Other | Government, Crown corporations and other entities | Total liabilities | Accumulated profits/ (losses) | Contributed surplus | Capital stock | Equity of Canada | Total liabilities and equity |
| 99,018 | 5,789 | 38 | 104,845 | 81,732 | | | 81,732 | 186,577 |
| | 23,580 | | 23,580 | (702,524) | 743,184 | 1 | 40,661 | 64,241 |
| | 116,364 | 9,153 | 125,517 | 259,370 | | | 259,370 | 384,887 |
| 31,059 | 30,489 | 38,543 | 100,091 | 117,555 | 145,081 | | 262,636 | 362,727 |
| 4,215 | 4,218 | 1,127 | 9,560 | (14,416) | 21,492 | | 7,076 | 16,636 |
| 57,984 | 3,572,758 | 107,585 | 3,738,327 | 302,011 | 1,155,171 | | 1,457,182 | 5,195,509 |
| 4,400 | 14,050 | 633 | 19,083 | 78,360 | 50,857 | | 129,217 | 148,300 |
| | 45,815 | 1,332 | 47,147 | 71,195 | 237,262 | | 308,457 | 355,604 |
| 13,812 | 15,163 | 80,402 | 109,377 | 25,431 | 22,276 | | 47,707 | 157,084 |
| | 4,004 | 4,287 | 8,291 | (180,911) | 64,000 | 136,042 | 19,131 | 27,422 |
| 36,167 | 91,234 | 6,828 | 134,229 | 104,326 | | 40,000 | 144,326 | 278,555 |
| | 2,423 | | 2,423 | 18,895 | 61,659 | | 80,554 | 82,977 |
| 14,456 | 17,743 | | 32,199 | 47,236 | | | 47,236 | 79,435 |
| 34,378 | 70,221 | 1,196 | 105,795 | 583,508 | 150,259 | | 733,767 | 839,562 |
| 65,476 | 13,574 | 285 | 79,335 | 185,081 | 239,050 | | 424,131 | 503,466 |
| *360,965* | *4,027,425* | *251,409* | *4,639,799* | *976,849* | *2,890,291* | *176,043* | *4,043,183* | *8,682,982* |
| | *48,175,166* | *4,370,335* | *52,545,501* | *189,018* | *25,000* | *5,000* | *219,018* | *52,764,519* |
| 8,024,946 | 522,798 | 1,008,505 | 9,556,249 | 801,139 | 27,778 | 1,038,400 | 1,867,317 | 11,423,566 |
| | 653,503 | 4,673 | 658,176 | 1,004,025 | | | 1,004,025 | 1,662,201 |
| 8,907,055 | 2,733,626 | 4,449,568 | 16,090,249 | 110,388 | 25,000 | | 135,388 | 16,225,637 |
| 127,565,515 | 53,259 | | 127,618,774 | | 10 | | 10 | 127,618,784 |
| | 5,884,016 | 6,130 | 5,890,146 | 6,817,466 | | | 6,817,466 | 12,707,612 |
| | 265,172 | (3,231) | 261,941 | 334,208 | | | 334,208 | 596,149 |
| 16,743,357 | 1,583,549 | 6,723 | 18,333,629 | 4,939,667 | | 983,200 | 5,922,867 | 24,256,496 |
| 9,623,566 | 243,426 | 3,826,706 | 13,693,698 | 1,229,033 | 547,725 | | 1,776,758 | 15,470,456 |
| *170,864,439* | *11,939,349* | *9,299,074* | *192,102,862* | *15,235,926* | *600,513* | *2,021,600* | *17,858,039* | *209,960,901* |
| 29,031 | 474,191 | 419 | 503,641 | 18,507 | 28,000 | | 46,507 | 550,148 |
| 574 | 71,301 | 97,487 | 169,362 | | | | | 169,362 |
| 4,017,703 | 573,176 | 4,286 | 4,595,165 | | | | | 4,595,165 |
| 18,829 | 9,882 | | 28,711 | | | | | 28,711 |
| *4,066,137* | *1,128,550* | *102,192* | *5,296,879* | *18,507* | *28,000* | | *46,507* | *5,343,386* |
| 4,427 | 2,620 | | 7,047 | 1,453 | 2,305 | | 3,758 | 10,805 |
| | 4,410 | | 4,410 | (4,087) | 82 | | (4,005) | 405 |
| 769 | 8,262 | | 9,031 | (3,403) | 2,479 | | (924) | 8,107 |
| 3,820 | 5,826 | | 9,646 | 7,403 | 806 | | 8,209 | 17,855 |
| | 57,153 | 43,114 | 100,267 | (9,644) | (14,128) | | (23,772) | 76,495 |
| | 2 | 27,715 | 27,717 | (25,041) | | | (25,041) | 2,676 |
| | 2 | 14,545 | 14,547 | (552) | | | (552) | 13,995 |
| *9,016* | *78,275* | *85,374* | *172,665* | *(33,871)* | *(8,456)* | | *(42,327)* | *130,338* |
| 175,300,557 | 65,348,765 | 14,108,384 | 254,757,706 | 16,386,429 | 3,535,348 | 2,202,643 | 22,124,420 | 276,882,126 |
| | | | | 82,610 | | | 82,610 | 82,610 |
| 175,300,557 | 65,348,765 | 14,108,384 | 254,757,706 | 16,469,039 | 3,535,348 | 2,202,643 | 22,207,030 | 276,964,736 |

## TABLE 9.5

## REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 2008

(in thousands of dollars)

| Enterprise Crown corporations and other government business enterprises | Revenues | | | |
|---|---|---|---|---|
| | | Government, Crown corporations and other entities[1] | | |
| | Third parties | Financial assistance | Other | Total |
| **Competitive, self-sustaining** | | | | |
| Blue Water Bridge Authority | 23,363 | | | 23,363 |
| Canada Development Investment Corporation | 1,056 | | 181,000 | 182,056 |
| Canada Hibernia Holding Corporation | 329,130 | | | 329,130 |
| Canada Lands Company Limited | 142,500 | | 3,374 | 145,874 |
| Parc Downsview Park Inc. | 7,416 | | | 7,416 |
| Canada Post Corporation | 7,201,849 | | 316,078 | 7,517,927 |
| Halifax Port Authority | 27,703 | | 155 | 27,858 |
| Montreal Port Authority | 81,899 | | 5,397 | 87,296 |
| Quebec Port Authority | 23,020 | | 612 | 23,632 |
| Ridley Terminals Inc. | 25,786 | | | 25,786 |
| Royal Canadian Mint | 514,468 | | 161,653 | 676,121 |
| Saint John Port Authority | 9,765 | | 507 | 10,272 |
| Toronto Port Authority | 18,494 | | | 18,494 |
| Vancouver Fraser Port Authority | 142,156 | | 458 | 142,614 |
| Other Canada Port Authorities | 58,355 | | 5,117 | 63,472 |
| *Total – Competitive, self-sustaining* | *8,606,960* | | *674,351* | *9,281,311* |
| ***Bank of Canada*** | *43,209* | | *2,408,239* | *2,451,448* |
| **Lending and insurance** | | | | |
| Business Development Bank of Canada | 913,183 | | | 913,183 |
| Canada Deposit Insurance Corporation | 82,469 | | 50,974 | 133,443 |
| Canada Mortgage and Housing Corporation | 806,429 | | 49,892 | 856,321 |
| Canada Housing Trust | 5,010,709 | | 92,244 | 5,102,953 |
| Insurance Programs | 1,941,126 | | 164,049 | 2,105,175 |
| Mortgage Backed Securities Guarantee Fund | 96,559 | | 7,218 | 103,777 |
| Export Development Canada | 1,689,892 | | | 1,689,892 |
| Farm Credit Canada | 1,009,491 | | 3,298 | 1,012,789 |
| *Total – Lending and insurance* | *11,549,858* | | *367,675* | *11,917,533* |
| **Marketing** | | | | |
| Canadian Commercial Corporation | 1,312,444 | 15,185 | 122,816 | 1,450,445 |
| Canadian Dairy Commission – | | | | |
| Marketing operations | 291,231 | | | 291,231 |
| Canadian Wheat Board, The | 3,814,462 | | | 3,814,462 |
| Freshwater Fish Marketing Corporation | 58,241 | | | 58,241 |
| *Total – Marketing* | *5,476,378* | *15,185* | *122,816* | *5,614,379* |
| **Other** | | | | |
| Atlantic Pilotage Authority | 16,881 | | | 16,881 |
| Great Lakes Pilotage Authority | 18,617 | | | 18,617 |
| Laurentian Pilotage Authority | 67,489 | | | 67,489 |
| Pacific Pilotage Authority | 53,944 | | | 53,944 |
| St.Lawrence Seaway Management Corporation | 76,644 | | 19,583 | 96,227 |
| Capital Fund Trust | 717 | | 17,383 | 17,600 |
| Employee Termination Benefits Trust Fund | 398 | | | 398 |
| *Total – Other* | *234,190* | | *36,966* | *271,156* |
| Total | 25,910,595 | 15,185 | 3,610,047 | 29,535,827 |
| Elimination adjustments | | | | |
| Total net results | 25,910,595 | 15,185 | 3,610,047 | 29,535,827 |
| Less equity adjustments | | | | |
| Share of annual profit | | | | |

The accompanying notes for Table 9.4 are an integral part of this table.

(1) The "Financial assistance" column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. Additional amounts representing capital and operating appropriations received by the corporations are included in "Equity transactions with the Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

| Expenses | | | | | | | Equity transactions with the Government | | |
|---|---|---|---|---|---|---|---|---|---|
| Third parties | Government, Crown corporations and other entities | Total | Net income/or loss(-) | Equity beginning of year | Equity adjustments and other | Other comprehensive income | Dividends | Capital | Equity end of year |
| | | | | | | | | | |
| 20,641 | | 20,641 | 2,722 | 79,702 | (692) | | | | 81,732 |
| 3,453 | | 3,453 | 178,603 | 43,058 | | | (181,000) | | 40,661 |
| 100,096 | 234,467 | 334,563 | (5,433) | 264,803 | | | | | 259,370 |
| 129,948 | 2,568 | 132,516 | 13,358 | 256,939 | (161) | | (7,500) | | 262,636 |
| 12,788 | (152) | 12,636 | (5,220) | 12,339 | (43) | | | | 7,076 |
| 7,320,352 | 158,914 | 7,479,266 | 38,661 | 1,440,273 | | 48 | (21,800) | | 1,457,182 |
| 21,210 | 1,092 | 22,302 | 5,556 | 123,661 | | | | | 129,217 |
| 73,075 | 6,481 | 79,556 | 7,740 | 297,039 | 179 | 3,499 | | | 308,457 |
| 15,456 | 909 | 16,365 | 7,267 | 40,440 | | | | | 47,707 |
| 18,632 | 2,142 | 20,774 | 5,012 | 14,119 | | | | | 19,131 |
| 641,545 | 12,182 | 653,727 | 22,394 | 120,133 | (130) | 2,929 | (1,000) | | 144,326 |
| 7,039 | 261 | 7,300 | 2,972 | 77,582 | | | | | 80,554 |
| 19,677 | | 19,677 | (1,183) | 48,978 | | (559) | | | 47,236 |
| 93,170 | 5,396 | 98,566 | 44,048 | 579,078 | 110,641 | | | | 733,767 |
| 56,399 | 513 | 56,912 | 6,566 | 533,043 | (115,808) | 397 | (61) | | 424,131 |
| *8,533,481* | *424,773* | *8,958,254* | *323,057* | *3,931,187* | *(6,014)* | *6,314* | *(211,361)* | | *4,043,183* |
| *809,281* | *147,742* | *457,023* | *1,994,425* | *29,800* | *26,594* | *89,218* | *(1,921,019)* | | *219,018* |
| | | | | | | | | | |
| 823,353 | 5,267 | 828,620 | 84,563 | 1,807,718 | (639) | (2,828) | (21,497) | | 1,867,317 |
| 69,870 | 15,694 | 85,564 | 47,879 | 948,304 | (163) | 8,005 | | | 1,004,025 |
| 485,020 | 400,305 | 885,325 | (29,004) | 161,787 | 2,605 | | | | 135,388 |
| 5,004,431 | 98,522 | 5,102,953 | | 10 | | | | | 10 |
| 551,659 | 482,356 | 1,034,015 | 1,071,160 | 5,904,717 | (12,395) | (146,016) | | | 6,817,466 |
| 3,996 | 34,925 | 38,921 | 64,856 | 275,704 | (545) | (5,807) | | | 334,208 |
| 1,248,862 | 5,307 | 1,254,169 | 435,723 | 5,748,627 | | (11,483) | (250,000) | | 5,922,867 |
| 783,599 | 24,102 | 807,701 | 205,088 | 1,462,168 | 17,919 | 97,060 | (5,477) | | 1,776,758 |
| *8,970,790* | *1,066,478* | *10,037,268* | *1,880,265* | *16,309,015* | *6,782* | *(61,069)* | *(276,974)* | | *17,858,019* |
| | | | | | | | | | |
| 1,324,001 | 123,924 | 1,447,925 | 2,520 | 43,987 | | | | | 46,507 |
| | | | | | | | | | |
| 292,251 | 2,518 | 294,769 | (3,538) | | 3,538 | | | | |
| 3,814,462 | | 3,814,462 | | | | | | | |
| 58,008 | | 58,008 | 233 | | (733) | | | | |
| *5,488,722* | *126,442* | *5,615,164* | *(785)* | *43,987* | *3,505* | | | | *46,507* |
| | | | | | | | | | |
| 18,018 | | 18,018 | (1,137) | 4,982 | (7) | | | | 3,758 |
| 18,445 | | 18,445 | 172 | (4,177) | | | | | (4,005) |
| 62,487 | | 62,487 | 5,002 | (5,926) | | | | | (924) |
| 51,535 | | 51,535 | 2,409 | 5,788 | | 12 | | | 8,209 |
| 102,547 | (1,065) | 101,482 | (5,255) | (18,517) | | | | | (23,772) |
| 2 | 20,206 | 20,208 | (2,608) | (22,417) | (16) | | | | (25,041) |
| 10 | 388 | 398 | | | | (552) | | | (552) |
| *253,044* | *19,529* | *272,573* | *(1,417)* | *(40,347)* | *(23)* | *(540)* | | | *(42,327)* |
| 23,555,318 | 1,784,964 | 25,340,282 | 4,195,545 | 20,273,662 | 80,644 | 33,923 | (2,809,354) | | 22,124,420 |
| | | | | 79,881 | 29,399 | | (26,670) | | 82,610 |
| 23,555,318 | 1,784,964 | 25,340,282 | 4,195,545 | 20,353,543 | 60,043 | 33,923 | (2,436,024) | | 22,207,030 |
| | | | 60,043 | | (60,043) | | | | |
| | | | 4,255,588 | 20,353,543 | | 33,923 | (2,436,024) | | 22,207,030 |

## Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.6 summarizes the borrowing transactions by agent and non-agent enterprise Crown corporations and other government business enterprises.

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations.

Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not on behalf of Her Majesty, but may, at times be guaranteed by the Government.

As at March 31, 2008, an allowance for borrowings of enterprise Crown corporations and other government business enterprises was established at $227 million.

**TABLE 9.6**

BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

| | Balance April 1/2007 | Borrowings and other credits | Repayments and other charges | Balance March 31/2008 |
|---|---|---|---|---|
| Borrowings by agent enterprise Crown corporations | | | | |
| Business Development Bank of Canada | 8,256,275 | 21,370,029 | 21,601,358 | 8,024,946 |
| Canada Lands Company Limited | 35,884 | | 4,825 | 31,059 |
| Canada Mortgage and Housing Corporation | 9,070,845 | 6,984,421 | 7,148,211 | 8,907,055 |
| Canada Housing Trust | 96,547,366 | 43,468,149 | 12,450,000 | 127,565,515 |
| Canada Post Corporation | 60,805 | | 2,821 | 57,984 |
| Canadian Commercial Corporation | 30,627 | 28,915 | 30,511 | 29,031 |
| Canadian Dairy Commission (Marketing) | | 9,937 | 9,363 | 574 |
| Export Development Canada | 15,532,803 | 27,954,919 | 26,744,365 | 16,743,357 |
| Farm Credit Canada | 12,181,970 | 17,382,789 | 19,940,693 | 9,623,566 |
| Freshwater Fish Marketing Corporation | 20,740 | 18,829 | 20,740 | 18,829 |
| Parc Downsview Park Inc. | | 4,215 | | 4,215 |
| Royal Canadian Mint | 44,451 | | 8,284 | 36,167 |
| | 141,781,766 | 117,221,703 | 87,961,171 | 171,042,298 |
| Borrowings by non-agent enterprise Crown corporations and other government business enterprises | | | | |
| Atlantic Pilotage Authority | | 4,500 | 73 | 4,427 |
| Blue Water Bridge Authority | 101,491 | | 2,473 | 99,018 |
| Canadian Wheat Board, The | 3,326,012 | 13,680,378 | 12,388,687 | 4,617,703 |
| Halifax Port Authority[1] | 4,800 | | 400 | 4,400 |
| Laurentian Pilotage Authority | 4,289 | | 3,520 | 769 |
| Pacific Pilotage Authority | 1,270 | 2,550 | | 3,820 |
| Quebec Port Authority[1] | 18,743 | (4,931) | | 13,812 |
| Toronto Port Authority[1] | 13,668 | 1,250 | 462 | 14,456 |
| Vancouver Fraser Port Authority[1] | 12,298 | 42,692 | 20,612 | 34,378 |
| Other Canada Port Authorities[1] | 60,386 | 31,356 | 26,266 | 65,476 |
| | 3,542,957 | 13,157,795 | 12,442,493 | 4,258,259 |
| Total | 145,324,723 | 130,379,498 | 100,403,664 | 175,300,557 |
| Borrowings expected to be repaid by enterprise Crown corporations and other government business enterprises | 145,051,365 | 130,379,498 | 100,357,164 | 175,073,699 |
| Allowance for borrowings of enterprise Crown corporations and other government business enterprises expected to be repaid by the Government and reported on the Statement of Financial Position | 273,358 | | 46,500 | 226,858 |

(1) The Authority is an agent of the Crown only for its port activities. It is considered a non-agent of the Crown for borrowings purposes.

## Maturity and Currency of Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.7 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 2008.

**TABLE 9.7**

MATURITY AND CURRENCY OF BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

| Year of maturity | Agent | Non-agent | Total |
|---|---|---|---|
| 2008 | 34,862,762 | 3,124,327 | 37,987,089 |
| 2009 | 20,939,421 | 79,009 | 21,018,430 |
| 2010 | 28,152,642 | 141,932 | 28,294,574 |
| 2011 | 22,669,406 | 61,838 | 22,731,244 |
| 2012 | 40,461,398 | 55,862 | 40,517,260 |
| Subsequent years | 23,956,669 | 795,291 | 24,751,960 |
| Total | 171,042,298 | 4,258,259 | 175,300,557 (1) |

(1) The borrowings are composed of $13,925,315 US, 1,058,750 Pound, 2,446,822 $, SA Rand 31,785, NzzkrNI 415,243, EUF 36,330, ISK 72,843, PLN 46,050, NZ $ 711,436, AU $ 206,992, HK $ 53,916 and $156,294,975 CDN.

## Contingent Liabilities of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.8 summarizes the contingent liabilities of enterprise Crown corporations and other government business enterprises. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

**TABLE 9.8**

CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

| | March 31, 2008 |
|---|---|
| Enterprise Crown corporations and other government business enterprises | |
| Bank of Canada - Callable shares | 59,846 |
| Canada Lands Company Limited - Loan guarantees | 23,600 |
| Export Development Canada - Loan guarantees | 3,225,102 |
| Farm Credit Canada - Loan guarantees | 4,064 |
| Hamilton Port Authority - Miscellaneous litigations | 351 |
| St. John's Port Authority - Miscellaneous litigations | 10,775 |
| St Lawrence Seaway Management Corporation - Miscellaneous litigations | 6,000 |
| Vancouver Fraser Port Authority - Miscellaneous litigations | 14,307 |
| Total | 3,344,045 |

## Contractual Obligations of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.9 summarizes the contractual obligations of enterprise Crown corporations and other government business enterprises. A contractual obligation represents a legal obligation to third organizations or individuals as a result of a contract. Contractual obligations are classified into three main categories: loans authorized but undisbursed, capital expenditures and operating leases.

**TABLE 9.9**

CONTRACTUAL OBLIGATIONS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES AT MARCH 31, 2008

(in thousands of dollars)

| | Loans | Capital expenditures | Operating leases | Total |
|---|---|---|---|---|
| Enterprise Crown corporations and other government business enterprises | | | | |
| Business Development Bank of Canada | 1,116,862 | | 146,202 | 1,263,064 |
| Canada Deposit Insurance Corporation | | | 3,177 | 3,177 |
| Canada Hibernia Holding Corporation | | | 26,900 | 26,900 |
| Canada Mortgage and Housing Corporation | 59,581 | | | 59,581 |
| Canada Post Corporation | | | 884,000 | 884,000 |
| Canada Lands Company Limited | | 16,700 | | 16,700 |
| Canadian Commercial Corporation | | 1,593,899 | 20,691 | 1,614,590 |
| Canadian Dairy Commission | | | | |
| Marketing operations | 3,422 | 8,781 | 1,240 | 13,443 |
| Canadian Wheat Board, The | | 161 | 2,584 | 2,745 |
| Export Development Canada | 6,096,000 | | | 6,096,000 |
| Farm Credit Canada | 652,000 | | 71,256 | 723,256 |
| Halifax Port Authority | | 1,505 | | 1,505 |
| Laurentian Pilotage Authority | | | 1,434 | 1,434 |
| Montreal Port Authority | | 4,501 | 5,586 | 10,087 |
| Pacific Pilotage Authority | | 2,392 | | 2,392 |
| Royal Canadian Mint | | 303,208 | | 303,208 |
| St.Lawrence Seaway Management Corporation | | | 3,880 | 3,880 |
| Vancouver Fraser Port Authority | | 76,614 | 76,717 | 153,331 |
| Other Canada Port Authorities | | | 159 | 159 |
| Total | 7,927,865 | 2,007,761 | 1,243,826 | 11,179,452 |

## Financial Assistance to Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.10 summarizes financial assistance for both agent, non-agent enterprise Crown corporations and other government business enterprises. It should be read in conjunction with Table 9.5. The purpose for which payments have been made is segregated between: *(a)* amounts recorded as operating transactions and *(b)* amounts used for the acquisition of capital assets.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies.

**TABLE 9.10**

FINANCIAL ASSISTANCE TO ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 2008

(in thousands of dollars)

| | Operating | Capital | Financial assistance |
|---|---|---|---|
| Enterprise Crown corporations and other government business enterprises | | | |
| Canada Post Corporation [1] | 122,210 | | 122,210 |
| Canadian Commercial Corporation | 15,185 | | 15,185 |
| Canadian Wheat Board, The [2] | 42,877 | | 42,877 |
| Halifax Port Authority | | 7,764 | 7,764 |
| Montreal Port Authority | | 4,376 | 4,376 |
| Quebec Port Authority | | 2,271 | 2,271 |
| Ridley Terminals Inc. | | | |
| Saint John Port Authority | | 1,556 | 1,556 |
| St.Lawrence Seaway Management Corporation | | 192 | 192 |
| Toronto Port Authority | | | |
| Vancouver Fraser Port Authority | | 5,463 | 5,463 |
| Other Canada Port Authorities | | 3,729 | 3,729 |
| Total | 180,272 | 25,351 | 205,623 [3] |

(1) Includes a payment of $43,987 from the Department of Indian Affairs and Northern Development for the purpose of providing Northern Air Stage Parcel Service.
(2) Includes payments of $42,877 to The Canadian Wheat Board from the Department of Finance for grants and contributions to meet the commitments made by Canada under multilateral debt reduction agreements.
(3) Of this amount, $137,395 is presented with Crown corporations expenses on the Statement of Operations and Accumulated Deficit in Section 2 of this volume. The remainder is presented with other transfer payments.

## Portfolio Investments

Portfolio investments are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of portfolio investments.

**TABLE 9.11**
PORTFOLIO INVESTMENTS

| | April 1/2007 | Payments and other charges | Receipts and other credits | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Lower Churchill Development Corporation Limited — Natural Resources | 14,750,000 | | | 14,750,000 |
| Other | | | | |
| Co-operative Housing Project — Environment — Parks Canada Agency | 337,106 | | | 337,106 |
| Canada Pension Plan Investment Board — Finance | 100 | | | 100 |
| Canada Investment Fund for Africa — Foreign Affairs and International Trade — Canadian International Development Agency | 100,000,000 | 40,337,170 | 40,337,170 | 100,000,000 |
| Equity Ownership — Industry — National Research Council of Canada | 645,756 | | 745 | 645,011 |
| Public Sector Pension Investment Board — Treasury Board | 100 | | | 100 |
| North Portage Development Corporation — Western Economic Diversification | | | | |
| | 100,983,062 | 40,337,170 | 40,337,915 | 100,982,317 |
| Total | 115,733,062 | 40,337,170 | 40,337,915 | 115,732,317 |

### Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland and Labrador in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

### Co-operative Housing Project

The Parks Canada Agency has invested in the Rocky Mountain II Co-operative Housing Association, along with five other entities, to provide accommodation for Parks Canada employees and employees of other entities in Banff, Alberta.

### Canada Pension Plan Investment Board

The Canada Pension Plan Investment Board ("Board") was created pursuant to the *Canada Pension Plan Investment Board Act*. The Board's objectives are to assist the Canada Pension Plan (CPP) in meeting its obligations to contributors and beneficiaries and to manage any amounts transferred to it in their best interest.

The Government holds 100 percent of the share capital of the corporation that consists of 10 shares having a fair value of $10 each issued as per legislation. The assets managed by the Board are included in the CPP financial statements. They are excluded from the Government's financial statements since CPP is not part of the Government's reporting entity as explained in Note 1 of the Government's financial statements.

### Canada Investment Fund for Africa

The Canada Investment Fund for Africa (CIFA) is a joint public-private sector initiative designed to provide risk capital for private investments in Africa that generate growth. The CIFA is a direct response to the New Partnership for Africa's Development (NEPAD) and the G8 Africa Action Plan. The main objectives of the CIFA are to optimize public-private investment in the Fund, to confer a beneficial development impact on Africa by way of increased foreign direct investment and to optimize the beneficial impact of the Fund's activities on Canadian interests.

The Government of Canada is a limited partner in the CIFA and its commitment towards the Fund is composed of a total commitment of $100 million for a period of ten years, which will be used to provide an equivalent amount to all investments committed by private investors as well as other governments, at a ratio 1:1. The investments in the CIFA are authorized by Foreign Affairs and International Trade Votes L40 and L40a, *Appropriation Acts No. 2 and No. 3, 2007-2008*. Payments to the CIFA are made upon receipt of a draw down notice. During the fiscal year 2007-2008, the payments made to the CIFA totalled approximately $41 million. The Canadian International Development Agency also received capital reimbursement from CIFA amounting to $0.5 million and investment income of $0.08 million during the year. The balance represents the Government's commitment to advance funds based on investments that have been committed by private investors.

### Equity Ownership

In order to help fulfill its mandate to promote industrial innovation in Canada, the National Research Council of Canada (NRC) has taken equity interests in several new firms based on NRC technology. NRC provides financial assistance at better than market conditions to firms through access to equipment, intellectual property and incubation space in laboratories and in the organization's Industry Partnership Facilities.

Since these companies often cannot afford to pay the full cost of the assistance received from the NRC, the NRC takes an equity position in a company in order to help the firms survive the critical development stage. In turn, it allows NRC to earn a return that somewhat reflects the risk taken should the company become successful.

This investment in equity is authorized under subsection 92(1)(b) of the *Financial Administration Act* which allows for the acquisition or the sale or other disposal of shares or assets in the ordinary course of a business of providing financial assistance to publicly and privately held companies and are recorded at cost.

The Government's holdings of shares represents a minority interest in seven publically traded companies and sixteen privately held companies. During the year, the shares of two public companies were sold.

### Public Sector Pension Investment Board

The Public Sector Pension Investment Board ("Board") was created pursuant to the *Public Sector Pension Investment Board Act*. Its mandate is to invest in financial markets the funds transferred to it from the Public Service, Canadian Forces, Royal Canadian Mounted Police and Reserve Force pension plans. The Board's objective is to achieve maximum rates of return on investments, without undue risk while respecting the requirements and financial obligations of those plans.

The Government holds 100 percent of the share capital of the corporation that consists of 10 shares having a fair value of $10 each issued as per legislation. The assets managed by the Board are recorded against the pension liability.

### North Portage Development Corporation

The Corporation was incorporated under the *Manitoba Corporations Act*, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The objective of the Government's participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3 percent of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

## National Governments Including Developing Countries

Loans to national governments consist mainly of loans for financial assistance, international development assistance to developing countries, and loans for development of export trade (administered by Export Development Canada).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

**TABLE 9.12**

NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

| | April 1/2007 | Payments and other charges | Receipts and other credits | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Foreign Affairs and International Trade— | | | | |
| Development of export trade (loans administered by Export Development Canada) | 375,553,380 | 32,298,517 | 159,225,138 | 248,626,759 |
| Foreign Affairs and International Trade— | | | | |
| Canadian International Development Agency— | | | | |
| Developing countries—International development assistance | 321,323,365 | 13,987,511 | 29,521,451 | 305,789,425 |
| National Defence— | | | | |
| North Atlantic Treaty Organization—Damage claims recoverable | 93,550 | 257,540 | 170,503 | 180,587 |
| Total | 696,970,295 | 46,543,568 | 188,917,092 | 554,596,771 |

### Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize Export Development Canada ("the Corporation") to enter into certain transactions or class of transactions where the Minister is of the opinion it is in the national interest and where the Corporation has advised the Minister that it will not enter into such transactions without such authorization. Funding for such transactions is provided by the Minister of Finance out of the Consolidated Revenue Fund and the transactions are administered by the Corporation on behalf of the Government of Canada.

Loan transactions with longer repayment terms and/or low or zero interest rates are recorded in part as expenses when the economic value is reduced due to such concessionary terms.

Tables 11.4 and 11.5 (Section 11 of this volume) present additional information on contractual obligations and guarantees that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The following table presents the balances and transactions for loans made to national governments, together with their terms and conditions of repayments.

| | | Payments and other charges | | Receipts and other credits | | |
|---|---|---|---|---|---|---|
| | April 1/2007 | Payments or other charges[1] | Revaluation | Receipts or other credits[2] | Revaluation | March 31/2008 |
| | $ | $ | $ | $ | $ | $ |
| **NON-BUDGETARY LOANS**[3] | | | | | | |
| (a) 1 to 5 year term, 0 percent (London Interbank Offered Rate (LIBOR)) interest per annum, with final repayments in December 2010: | | | | | | |
| Cameroun | 939,897 | | | | 101,904 | 837,993 |
| Mexico | 1,540,274 | | | 1,346,821 | 193,453 | |
| | *2,480,171* | | | *1,346,821* | *295,357* | *837,993* |
| (b) 6 to 10 year term, 0.5 percent to 9.0 percent interest per annum, with final repayments between March 2007 and June 2014: | | | | | | |
| Argentina | 30,608,532 | | | | 3,264,418 | 27,344,114 |
| Congo | 1,374,755 | | | | 149,053 | 1,225,702 |
| Jamaica | 253,547 | 24,818 | | 278,365 | | |
| Sudan | 4,452,509 | | | | 482,751 | 3,969,758 |
| | *36,689,343* | *24,818* | | *278,365* | *3,896,222* | *32,539,574* |
| (c) 11 to 15 year term, 0.5 percent (LIBOR) to 5.1 percent (LIBOR) interest per annum, with final repayments between April 2018 and November 2024: | | | | | | |
| Indonesia | | 3,501,991 | | 846,206 | 372,754 | 2,283,031 |
| Kenya | 768,189 | 122,299 | | | | 890,488 |
| Pakistan | 7,632,900 | | | 131,436 | 826,614 | 6,674,850 |
| Venezuela | 91,001,734 | | | 8,191,709 | 9,757,704 | 73,052,321 |
| | *99,402,823* | *3,624,290* | | *9,169,351* | *10,957,072* | *82,900,690* |
| Insurance claims paid during the year: | | | | | | |
| Cuba | 30,235,402 | | | 11,400,000 | | 18,835,402 |
| Haiti | 373,129 | | | | | 373,129 |
| Russia | 13,259,120 | | | | 787,049 | 12,472,071 |
| | *43,867,651* | | | *11,400,000* | *787,049* | *31,680,602* |
| Total — Non-budgetary loans | 182,439,988 | 3,649,108 | | 22,194,537 | 15,935,700 | 147,958,859 |
| **BUDGETARY LOANS**[3] | | | | | | |
| (a) 16 to 20 year term, 0 percent interest per annum, with final repayment in March 2011: | | | | | | |
| Thailand | 6,666,303 | | | 1,801,036 | 413,492 | 4,451,775 |
| (b) 21 to 25 year term, 0 percent to 3.0 percent interest per annum, with final repayments between November 2015 and April 2018: | | | | | | |
| Algeria | 6,118,000 | | | 568,000 | | 5,550,000 |
| Indonesia | 30,901,094 | | | 6,704,442 | 2,705,653 | 21,490,999 |
| | *37,019,094* | | | *7,272,442* | *2,705,653* | *27,040,999* |

| | | Payments and other charges | | Receipts and other credits | | |
|---|---|---|---|---|---|---|
| | April 1/2007 | Payments or other charges [1] | Revaluation | Receipts or other credits [2] | Revaluation | March 31/2008 |
| | $ | $ | $ | $ | $ | $ |
| (c) 31 to 55 year term, 0 percent to 8.97 percent interest per annum, with final repayments between December 2010 and February 2045: | | | | | | |
| Cameroon | 13,473,572 | | | | 1,460,834 | 12,012,738 |
| China | 532,825,616 | 3,580,546 | | 11,338,776 | 57,191,164 | 467,876,222 |
| Egypt | 10,322,125 | | | 325,910 | 333,686 | 9,662,529 |
| Gabon | 9,582,614 | | | 256,920 | 1,037,083 | 8,288,611 |
| India | 54,064,060 | | | 724,581 | 6,455,596 | 46,883,883 |
| Jamaica | 6,645,119 | | | 186,318 | 722,244 | 5,736,557 |
| Kenya | 6,775,321 | | | 201,401 | 953,776 | 5,620,144 |
| Morocco | 93,786,442 | | | 2,656,782 | 10,150,060 | 80,979,600 |
| Turkey | 111,632,986 | | | 2,818,240 | 12,088,907 | 96,725,839 |
| | *839,107,855* | *3,580,546* | | *18,508,928* | *90,393,350* | *733,786,123* |
| Total – Budgetary loans | 882,793,252 | 3,580,546 | | 27,582,406 | 93,512,495 | 765,278,897 |
| Subtotal | 1,065,233,240 | 7,229,654 | | 49,776,943 | 109,448,195 | 913,237,756 |
| Less: portion expensed due to concessionary terms | 689,679,860 | 25,068,863 | | | | 664,610,997 |
| Total | 375,553,380 | 32,298,517 | | 49,776,943 | 109,448,195 | 248,626,759 |

Note: Final repayment dates may change if loan amounts are rescheduled or restructured.
(1) Payments or other charges may include transactions such as loans, adjustments, etc.
(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.
(3) Prior to April 1, 1987, these loans were authorized by miscellaneous non-budgetary authorities. Subsequently they were authorized by miscellaneous budgetary authorities.

## Developing countries—International development assistance

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Loans are recorded in part as expenses when the economic value of the loans is reduced due to their concessionary terms. No new loans have been issued since April 1, 1986.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments.

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

| | April 1/2007 | Payments and other charges | Receipts and other credits [1] | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| (a) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayment in March 2005: | | | | |
| Cuba | 9,547,012 | | | 9,547,012 |
| (b) 35 year term, 4 year grace period, 5 percent interest per annum, semi-annual interest repayments with first principal repayment due January 2017 and final repayment in July 2026: | | | | |
| Egypt | 44,995,933 | | | 44,995,933 |
| (c) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035: | | | | |
| Algeria | 7,228,339 | | 614,689 | 6,613,650 |
| Argentina | 186,667 | | 18,667 | 168,000 |
| Bolivia | 635,926 | | 42,395 | 593,531 |
| Brazil | 250,963 | | 20,914 | 230,049 |
| Chile | 1,029,650 | | 98,062 | 931,588 |
| Colombia | 289,387 | | 26,308 | 263,079 |
| Dominican Republic | 3,886,466 | | 236,046 | 3,650,420 |
| Ecuador | 4,457,029 | | 304,919 | 4,152,110 |
| Guatemala | 2,031,403 | | 150,050 | 1,881,353 |
| Indonesia | 195,918,378 | | 10,438,676 | 185,479,702 |
| Malaysia | 1,545,688 | | 62,935 | 1,482,753 |
| Malta | 424,980 | | 25,000 | 399,980 |
| Mexico | 27,714 | | 2,772 | 24,942 |
| Morocco | 8,087,398 | | 879,002 | 7,208,396 |
| Myanmar (Burma) | 8,306,202 | | | 8,306,202 |
| Pakistan | 447,507,534 | | | 447,507,534 |
| Paraguay | 199,961 | | 19,996 | 179,965 |
| Peru | 41,015 | | 3,729 | 37,286 |
| Philippines | 1,743,427 | | 97,159 | 1,646,268 |
| Sri Lanka | 92,118,294 | | 5,539,801 | 86,578,493 |
| Thailand | 18,786,792 | | 847,120 | 17,939,672 |
| Tunisia | 56,830,140 | | 4,943,595 | 51,886,545 |
| | *851,533,353* | | *24,371,835* | *827,161,518* |
| (d) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025: | | | | |
| Algeria | 20,544,006 | | 1,867,636 | 18,676,370 |
| Subtotal | 926,620,304 | | 26,239,471 | 900,380,833 |
| Less: portion expensed due to concessionary terms | 605,296,939 | 13,987,511 | 3,281,980 | 594,591,408 |
| Total | 321,323,365 | 13,987,511 | 29,521,451 | 305,789,425 |

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.
(1) Receipts and other credits may include transactions such as repayments, forgiveness, etc.

## North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

## International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investment but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represents a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 11.6 (Section 11 of this volume).

Most loans and advances to international organizations are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans made on a long-term, low-interest or interest-free basis, and investments in organizations that make similar loans, are recorded in full or in part as expenses through the allowance for valuation when the economic value is reduced due to their concessionary terms.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. The revaluation amount represents the conversion of foreign currency balances to the year-end closing rates of exchange. Balances denominated in United States dollars were converted to Canadian dollars at year-end exchange rate of ($1 US/$1.0265 Cdn).

Tables 11.4 and 11.6 (Section 11 of this volume) present additional information on contractual obligations and contingent liabilities for international organizations that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The notes payable outstanding at year end of $379,470,510 ($475,633,843 in 2007) are reported in Table 5.3 (Section 5 of this volume).

### TABLE 9.13
### INTERNATIONAL ORGANIZATIONS

| | | Payments and other charges | | Receipts and other credits | | |
|---|---|---|---|---|---|---|
| | April 1/2007 | Participation or other charges | Revaluation | Reimbursements or other credits | Revaluation | March 31/2008 |
| | $ | $ | $ | $ | $ | $ |
| Capital subscriptions[1] | | | | | | |
| Finance | | | | | | |
| European Bank for Reconstruction and Development | 249,621,828 | | | | 27,694,922 | 221,926,906 |
| International Bank for Reconstruction and Development (World Bank) | 385,453,456 | | | | 40,945,114 | 344,508,342 |
| International Finance Corporation | 93,917,473 | | | | 10,419,910 | 83,497,563 |
| Multilateral Investment Guarantee Agency | 12,391,456 | | | | 1,374,801 | 11,016,655 |
| | *741,384,213* | | | | *80,434,747* | *660,949,466* |
| Foreign Affairs and International Trade | | | | | | |
| Canadian International Development Agency | | | | | | |
| African Development Bank | 115,240,392 | | | | 5,780,516 | 109,459,876 |
| Asian Development Bank | 178,975,397 | | | | 16,366,635 | 162,608,762 |
| Caribbean Development Bank | 21,915,852 | | | | 1,738,986 | 20,176,866 |
| Inter-American Development Bank | 207,533,568 | | | | 22,657,164 | 184,876,404 |
| | *523,665,209* | | | | *46,543,301* | *477,121,908* |
| | *1,265,049,422* | | | | *126,978,048* | *1,138,071,374* |

## TABLE 9.13
## INTERNATIONAL ORGANIZATIONS—*Concluded*

| | | Payments and other charges | | Receipts and other credits | | |
|---|---|---|---|---|---|---|
| | | Participation or | | Reimbursements or | | |
| | April 1/2007 | other charges | Revaluation | other credits | Revaluation | March 31/2008 |
| | $ | $ | $ | $ | $ | $ |
| Loans and advances— | | | | | | |
| Finance— | | | | | | |
| Global Environment Facility[2] | 10,000,000 | | | | | 10,000,000 |
| International Development Association[2] | 7,493,378,061 | 318,280,000 | | | | 7,811,658,061 |
| International Monetary Fund—Poverty Reduction and Growth Facility[1] | 365,314,730 | | | 30,920,481 | 13,360,558 | 321,033,691 |
| | *7,868,692,791* | *318,280,000* | | *30,920,481* | *13,360,558* | *8,142,691,752* |
| Foreign Affairs and International Trade— | | | | | | |
| International organizations and associations[1]— | | | | | | |
| Berne Union of the World Intellectual Property Organization | 39,192 | | | | | 39,192 |
| Customs Co-operation Council | 9,662 | | | | | 9,662 |
| Food and Agriculture Organization | 1,051,200 | | | | | 1,051,200 |
| General Agreement on Tariffs and Trade | 48,806 | | | | | 48,806 |
| International Maritime Organization | 2,202 | | | | | 2,202 |
| International Atomic Energy Agency | 447,110 | | | | | 447,110 |
| International Civil Aviation Organization | 200,429 | | | | | 200,429 |
| Paris Union of the World Intellectual Property Organization | 100,989 | | | | | 100,989 |
| United Nations Educational, Scientific and Cultural Organization | 872,987 | | | | | 872,987 |
| United Nations organizations | 3,632,480 | | | | | 3,632,480 |
| World Health Organization | 181,122 | | | | | 181,122 |
| | *6,586,179* | | | | | *6,586,179* |
| Canadian International Development Agency— | | | | | | |
| International financial institutions[2]— | | | | | | |
| African Development Bank | 1,718,896 | | | 125,000 | | 1,593,896 |
| African Development Fund | 1,836,154,366 | 88,846,035 | | | 9,607,493 | 1,915,392,908 |
| Andean Development Corporation | 2,062,500 | | | 125,000 | | 1,937,500 |
| Asian Development Bank—Special | 27,027,000 | | | | | 27,027,000 |
| Asian Development Fund | 1,868,753,025 | 52,794,285 | | | | 1,921,547,310 |
| Caribbean Development Bank— Agricultural Development Fund | 2,000,000 | | | | | 2,000,000 |
| Caribbean Development Bank— Commonwealth Caribbean Regional | 4,618,400 | | | | 512,400 | 4,106,000 |
| Caribbean Development Bank—Special | 188,955,605 | 13,585,000 | | | 1,607,655 | 200,932,950 |
| Central American Bank for Economic Integration | 803,280 | | | 76,500 | | 726,780 |
| Global Environment Facility Trust Fund | 392,140,000 | 36,270,000 | | | | 428,410,000 |
| Inter-American Development Bank—Fund for Special Operations | 361,199,703 | 879,048 | | | 23,144,874 | 338,933,877 |
| Multilateral Investment Fund | 20,856,838 | 6,316,667 | | | | 27,173,505 |
| International Bank for Reconstruction and Development | 23,092,000 | | | | 2,562,000 | 20,530,000 |
| International Fund for Agriculture Development | 204,532,116 | 12,425,640 | | | | 216,957,756 |
| International Monetary Fund | 12,665,307 | | | | 1,405,185 | 11,260,122 |
| Montreal Protocol Multilateral Fund | 71,057,680 | 4,794,373 | | | 3,418,277 | 72,433,776 |
| | *5,017,636,716* | *215,911,048* | | *326,500* | *42,257,884* | *5,190,963,380* |
| | *12,892,915,686* | *534,191,048* | | *31,246,981* | *55,618,442* | *13,340,241,311* |
| Subtotal | 14,157,965,108 | 534,191,048 | | 31,246,981 | 182,596,490 | 14,478,312,685 |
| Less: portion expensed due to concessionary terms | 2,550,594 | 166,492 | | | | 2,384,102 |
| Total | 14,155,414,514 | 534,357,540 | | 31,246,981 | 182,596,490 | 14,475,928,583 |

(1) Loans and investments made prior to April 1, 1986 which were authorized by non-budgetary authorities.
(2) Loans and investments made since April 1, 1986 which were authorized by budgetary authorities.

### European Bank for Reconstruction and Development

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development (EBRD), as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 68,000 shares of the EBRD's authorized capital valued at $828.6 million US. Only $216.2 million US or about 26 per cent of Canada's share subscription is "paid-in". The balance is callable meaning the institution can request the resources in the unlikely event that it requires them to meet its financial obligations to bondholders. Payments for the share subscription are authorized by the *Act*. Each payment to the EBRD is comprised of cash and a promissory note.

As at March 31, 2008, Canada had paid-in shares valued at $216,197,668 US.

Canada's contingent liability for the callable portion of its shares is $612,420,000 US.

### International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2008, Canada has subscribed to 44,795 shares. The total value of these shares is $5,403,844,825 US, of which $319,633,987 US plus $16,404,055 Cdn has been paid-in. The remaining portion is callable.

The callable portion is subject to call by the Bank under certain circumstances. Canada's contingent liability for the callable portion of its shares is $5,069 million US.

### International Finance Corporation

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Group, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2008, Canada has subscribed to 81,342 shares. These shares have a total value of $81,342,000 US, all of which has been paid-in.

### Multilateral Investment Guarantee Agency

This account records Canada's subscriptions to the capital of the Multilateral Investment Guarantee Agency, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2008, Canada has subscribed to 5,225 shares. The total value of these shares is $56,534,500 US, of which $10,732,250 US is paid-in and the remaining portion is callable.

The callable portion is subject to call by the Agency under certain circumstances. Canada's contingent liability for the callable portion of its shares is $45,802,250 US.

### African Development Bank

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L35, *Appropriation Act No. 2, 2007-2008*).

At year-end, authority had been granted for subscriptions of 8,175 paid-in shares and 73,473 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2008, Canada's participation to the paid-in capital is $109,459,876 Cdn for 8,175 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of $984,917,646 Cdn and $177,333,450 US for a total value of $1,166,950,432 Cdn.

### Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2008, Canada's participation to the paid-in capital is $162,608,762 Cdn for 12,961 paid-in shares. Of these paid-in shares, 10,591 were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of $1,533,210,533 US and $596,976,219 Cdn for a total value of $2,170,816,831 Cdn.

### Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 2,278 paid-in shares and 8,124 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2008, Canada's participation to the paid-in capital is $20,176,866 Cdn for 2,278 paid-in shares. These shares were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of $49,001,856 US for a total value of $50,300,405 Cdn.

### Inter-American Development Bank

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 14,397 paid-in shares and 320,490 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2008, Canada's participation to the paid-in capital is $184,876,404 Cdn for 14,397 paid-in shares. These shares were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of $3,866,208,680 US for a total value of $3,968,663,210 Cdn.

### Global Environment Facility

This account records the funding of a facility for environmental funding in developing countries in the areas of ozone, climate change biodiversity and international waters as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. Advances to the Global Environment Facility (GEF) are made in non-negotiable, non-interest bearing demand notes that are later encashed.

As at March 31, 2008, advances to the GEF amounted to $10,000,000 Cdn.

### International Development Association

This account records Canada's contributions and subscriptions to the International Development Association (IDA), as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts (including Finance Votes L10 and L10a, *Appropriation Acts No. 2 and No. 3, 2007-2008*). The contributions and subscriptions to the Association, which is part of the World Bank Group, are used to lend funds to the poorest developing countries for development purposes, on highly favourable terms (no interest, with a 35 to 40 year maturity and 10 years of grace). Contributions and subscriptions to IDA are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included participation through the issuance of notes payable.

As at March 31, 2008, Canada's total participation in IDA amounted to $7,811,658,061 Cdn.

### International Monetary Fund—Poverty Reduction and Growth Facility

This account records the loan to the International Monetary Fund in order to provide assistance to debt distressed, low-income countries as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

The total loan authority pursuant to the *Bretton Woods and Related Agreements Act* was set at $550 million or such greater amount as may be fixed by the Governor in Council. The Governor in Council subsequently increased the limit to SDR 700 million.

As at March 31, 2008, Canada has lent a total of 700,000,000 SDR to the Poverty Reduction and Growth Facility. Of this amount, 509,823,177 SDR has been repaid. The outstanding balance of 190,176,823 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR /$1.68808 Cdn). During the year, transactions included a loan in cash, repayments and an exchange valuation adjustment.

Canada has also made budgetary contributions towards an interest subsidy amounting to 189,997,586 SDR, which do not appear in Table 9.13.

### International organizations and associations

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

### International financial institutions

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L30, *Appropriation Act No. 2, 2007-2008*).

In certain cases, loans and advances are made using notes payable that are later encashed. During the year, transactions included loans and advances made in cash and through note issuances, encashments of notes issued in previous years and revaluations for foreign currency fluctuations.

## Provincial and Territorial Governments

This category records loans to provinces and territories made under relief acts and other legislation.

Loans made on a long-term, low-interest or interest-free basis are recorded in part as expenses when the economic value of these loans is reduced due to their concessionary terms.

Table 9.14 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

**TABLE 9.14**

PROVINCIAL AND TERRITORIAL GOVERNMENTS

| | April 1/2007 | Payments and other charges | Receipts and other credits | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| NEWFOUNDLAND AND LABRADOR | | | | |
| Atlantic Canada Opportunities Agency | | | | |
| Loans to enterprises in Newfoundland and Labrador | 456,680 | | | 456,680 |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 506,790,892 | 4,198,500 | 62,046,858 | 448,942,534 |
| Municipal Development and Loan Board | 321,239 | | 5,613 | 315,626 |
| Winter capital projects fund | 2,836,758 | | | 2,836,758 |
| | *509,948,889* | *4,198,500* | *62,052,471* | *452,094,918* |
| Total Newfoundland and Labrador | 510,405,569 | 4,198,500 | 62,052,471 | 452,551,598 |
| NOVA SCOTIA | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 292,234,926 | 7,643,250 | 13,455,792 | 286,422,384 |
| Total Nova Scotia | 292,234,926 | 7,643,250 | 13,455,792 | 286,422,384 |
| PRINCE EDWARD ISLAND | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 33,061,958 | 1,127,250 | 14,744,074 | (554,866) |
| Municipal Development and Loan Board | 67,440 | | 23,130 | 44,310 |
| Winter capital projects fund | 63,079 | | | 63,079 |
| Total Prince Edward Island | 33,192,477 | 1,127,250 | 34,767,204 | (447,477) |
| NEW BRUNSWICK | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 181,353,284 | 6,136,500 | 28,572,966 | 158,916,818 |
| Industry | | | | |
| Atlantic Provinces Power Development Act | 1,782,655 | 33,975 | 684,535 | 1,132,095 |
| Total New Brunswick | 183,135,939 | 6,170,475 | 29,257,501 | 160,048,913 |
| QUEBEC | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 2,453,897,687 | 707,871,093 | 1,442,364,696 | 1,719,404,084 |
| Municipal Development and Loan Board | 258,990 | | 258,990 | |
| Total Quebec | 2,454,156,677 | 707,871,093 | 1,442,623,686 | 1,719,404,084 |

**TABLE 9.14**

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

| | April 1/2007 | Payments and other charges | Receipts and other credits | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| ONTARIO | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | (95,515,500) | 95,515,500 | 196,839,750 | (196,839,750) |
| Mutual fund capital gain refund overpayments | 930,970,330 | | 132,995,761 | 797,974,569 |
| Total Ontario | 835,454,830 | 95,515,500 | 329,835,511 | 601,134,819 |
| MANITOBA | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 32,700,004 | 9,577,500 | 16,842,246 | 25,435,258 |
| Mutual fund capital gain refund overpayments | 63,668,655 | | 9,095,522 | 54,573,133 |
| Total Manitoba | 96,368,659 | 9,577,500 | 25,937,768 | 80,008,391 |
| SASKATCHEWAN | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 358,218,792 | 23,310,750 | 39,839,400 | 341,690,142 |
| Municipal Development and Loan Board | 292 | | 292 | |
| Total Saskatchewan | 358,219,084 | 23,310,750 | 39,839,692 | 341,690,142 |
| ALBERTA | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 237,500,696 | 343,965,750 | 219,122,304 | 362,344,142 |
| Total Alberta | 237,500,696 | 343,965,750 | 219,122,304 | 362,344,142 |
| BRITISH COLUMBIA | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 506,247,146 | 47,806,350 | 117,671,454 | 436,382,042 |
| Total British Columbia | 506,247,146 | 47,806,350 | 117,671,454 | 436,382,042 |
| YUKON TERRITORY | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 1,058,250 | | 1,299,000 | (240,750) |
| Total Yukon Territory | 1,058,250 | | 1,299,000 | (240,750) |
| NORTHWEST TERRITORIES | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | 7,065,750 | | 13,648,500 | (6,582,750) |
| Total Northwest Territories | 7,065,750 | | 13,648,500 | (6,582,750) |
| NUNAVUT | | | | |
| Finance | | | | |
| Federal-provincial fiscal arrangements | (428,250) | 428,250 | 396,750 | (396,750) |
| Total Nunavut | (428,250) | 428,250 | 396,750 | (396,750) |
| Subtotal | 5,514,611,753 | 1,247,614,668 | 2,329,907,633 | 4,432,318,788 |
| Less: portion expensed due to concessionary terms | 871,339,000 | 182,707,376 | | 688,631,624 |
| Total | 4,643,272,753 | 1,430,322,044 | 2,329,907,633 | 3,743,687,164 |

### Loans to enterprises in Newfoundland and Labrador

Loans have been made to provide financing to small and medium-sized businesses in Newfoundland.

These loans originated from the Newfoundland and Labrador Development Corporation Limited, of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accepts these loans as full payment of moneys owing by the Corporation to Canada. These loans are currently being administered by the Atlantic Canada Opportunities Agency.

The remaining loans are deemed unrecoverable and parliamentary authority will be sought to write off the balance.

### Federal-provincial fiscal arrangements

These amounts represent underpayments and overpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements* Act, and other statutory authority. The underpayments are non-interest bearing and are paid in subsequent years.

### Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.375 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 2008 and March 1, 2009.

### Winter capital projects fund

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.4 percent to 9.5 percent per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity.

### Atlantic Provinces Power Development Act

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5 percent to 8.5 percent per annum, and are repayable in equal annual instalments, with final instalments due March 31, 2011.

### Mutual fund capital gain refund overpayments

These amounts represent overpayments made to provinces under tax collection agreements for tax years 1997 to 1999 stemming from the misclassification of mutual fund trust capital gains refunds. Recoveries are non-interest bearing and will take place over a 10-year period which started in 2004-2005.

## Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

### TABLE 9.15
OTHER LOANS, INVESTMENTS AND ADVANCES

| | April 1/2007 | Payments and other charges | Receipts and other credits | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Unconditionally repayable contributions | | | | |
| Atlantic Canada Opportunities Agency | 366,076,357 | 29,037,311 | 51,358,574 | 343,755,094 |
| Economic Development Agency of Canada for the Regions of Quebec | 292,403,613 | 41,844,530 | 87,908,489 | 246,339,654 |
| Indian Affairs and Northern Development | 1,118,800 | 441,565 | | 1,560,365 |
| Industry | 209,567,891 | 107,550,389 | 35,549,953 | 281,568,327 |
| Natural Resources | 39,978,402 | | | 39,978,402 |
| Western Economic Diversification | 31,476,699 | 76,468 | 7,432,791 | 24,120,376 |
| Subtotal | 940,621,762 | 178,950,263 | 182,249,807 | 937,322,218 |
| Less: portion expensed due to concessionary terms | 52,078,305 | 55,464,028 | 42,091,501 | 38,705,778 |
| Total — Unconditionally repayable contributions | 888,543,457 | 234,414,291 | 224,341,308 | 898,616,440 |
| Loans and accountable advances | | | | |
| Foreign Affairs and International Trade | | | | |
| Missions abroad | 18,350,054 | 372,846,907 | 364,900,352 | 26,295,709 |
| Personnel posted abroad | 15,160,663 | 17,940,118 | 18,616,943 | 14,483,838 |
| | *33,510,717* | *390,786,125* | *383,517,295* | *40,779,547* |
| National Defence | | | | |
| Imprest accounts, standing advances and authorized loans | 30,658,800 | 1,049,380,872 | 1,039,651,708 | 40,387,964 |
| Other departments | | | | |
| Miscellaneous accountable advances | 14,424,397 | | 369,041 | 14,055,356 |
| Miscellaneous accountable imprest and standing advances | 11,476,112 | 6,146,912 | | 17,623,024 |
| | *25,900,509* | *6,146,912* | *369,041* | *31,678,380* |
| Total — Loans and accountable advances | 90,070,026 | 1,446,313,909 | 1,423,538,044 | 112,845,891 |
| Other | | | | |
| Agriculture and Agri-Food | | | | |
| Construction of multi-purpose exhibition buildings | 62,084 | 1,443 | 11,204 | 52,323 |
| National Marketing Programs | 115,887,404 | 7,306,578 | | 123,193,982 |
| | *115,949,488* | *7,308,021* | *11,204* | *123,246,305* |
| Canadian Heritage | | | | |
| Cultural property | | | | |
| Citizenship and Immigration | | | | |
| Immigration loans | 38,080,246 | 12,418,593 | 16,109,029 | 34,389,810 |
| Finance | | | | |
| Canadian Commercial Bank | 43,132,429 | | | 43,132,429 |
| Financial Consumer Agency of Canada | | | | |
| Advances | | 4,000,000 | 4,000,000 | |
| | *43,132,429* | *4,000,000* | *4,000,000* | *43,132,429* |

**TABLE 9.15**

OTHER LOANS, INVESTMENTS AND ADVANCES—*Continued*

| | April 1/2007 | Payments and other charges | Receipts and other credits | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Fisheries and Oceans | | | | |
| Canadian producers of frozen groundfish | 128,315 | | | 128,315 |
| Haddock fishermen | 1,343,337 | | | 1,343,337 |
| | *1,471,652* | | | *1,471,652* |
| Foreign Affairs and International Trade | | | | |
| Development of export trade (loans administered by Export Development Canada) | *2,321,061,272* | *3,103,322* | *434,075,249* | *1,890,089,345* |
| Human Resources and Skills Development | | | | |
| Canada Student Loans Program | 9,876,457,557 | 2,487,163,318 | 1,456,014,260 | 10,907,606,615 |
| Provincial workers' compensation boards | 13,013,001 | 67,000 | | 13,080,001 |
| | *9,889,470,558* | *2,487,230,318* | *1,456,014,260* | *10,920,686,616* |
| Indian Affairs and Northern Development | | | | |
| Aboriginal Business Loan Insurance Program | 7,276,713 | | 85,000 | 7,191,713 |
| Council of Yukon First Nations – Elders | 8,709,736 | | 716,555 | 7,993,181 |
| Farm Credit Canada Guarantee Loans Program | 123,646 | | | 123,646 |
| First Nations in British Columbia | 166,298,750 | 25,965,798 | | 192,264,548 |
| Indian Economic Development Fund | 46,427 | | | 46,427 |
| Indian Economic Development Guarantee Loans Program | 6,647,851 | 272 | 393,303 | 6,254,820 |
| Inuit Loan Fund | 82,836 | | | 82,836 |
| Native Claimants | 410,657,117 | 27,246,198 | 14,398,850 | 423,504,465 |
| On Reserve Housing Guarantee Loans Program | 7,936,094 | 125,502 | 116,098 | 7,945,498 |
| Stoney Band Perpetual Loan | 389,615 | | | 389,615 |
| | *808,168,785* | *53,337,770* | *15,709,806* | *845,796,749* |
| Industry | | | | |
| Company stock option | | | | |
| Manufacturing, processing and service industries in Canada | 110,000,000 | | | 110,000,000 |
| Small Business loans | 84,454,466 | 215,787,961 | 83,888,079 | 216,354,348 |
| National Research Council of Canada | | | | |
| H. L. Holmes Fund | 4,192,217 | 118,105 | | 4,310,322 |
| | *198,646,683* | *215,906,066* | *83,888,079* | *330,664,670* |
| Natural Resources | | | | |
| Hibernia Development Project | 18,400,000 | | 9,200,000 | 9,200,000 |
| Nordion International Inc. | 74,000,000 | | 4,000,000 | 70,000,000 |
| | *92,400,000* | | *13,200,000* | *79,200,000* |
| Public Safety and Emergency Preparedness | | | | |
| Correctional Service | | | | |
| Parolees | 5,708 | 2,160 | 1,230 | 4,638 |
| Public Works and Government Services | | | | |
| Seized Property Working Capital Account | 17,461,372 | 42,518,826 | 43,460,476 | 16,519,722 |
| Transport | | | | |
| Canadian Airport Authorities | 24,330,381 | | | 24,330,381 |
| Saint John Harbour Bridge Authority | 22,646,108 | | | 22,646,108 |
| St. Lawrence Seaway Management Corporation | 167,397 | | | 167,397 |
| | *47,143,886* | | | *47,143,886* |
| Treasury Board | | | | |
| Joint Learning Program | 95,984 | 7,305,142 | 1,418,400 | 982,726 |
| Veterans Affairs | | | | |
| Commonwealth War Graves Commission | 68,091 | | 6,975 [31] | 61,116 |
| Veterans' Land Act Fund | | | | |
| Advances | 17,730 | 1,071 | 2,367 | 16,436 |
| | *85,821* | *1,071* | *9,342* | *77,552* |

**TABLE 9.15**

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

| | April 1/2007 | Payments and other charges | Receipts and other credits | March 31/2008 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Other departments— | | | | |
| Miscellaneous | 306,286 | 30,078 | | 336,364 |
| Subtotal—Other | 13,573,478,170 | 2,828,161,369 | 2,067,897,075 | 14,333,742,464 |
| Less: portion expensed due to concessionary terms[2] | 85,223,626 | 10,695,181 | | 74,528,445 |
| | 13,488,254,544 | 2,838,856,550 | 2,067,897,075 | 14,259,214,019 |
| Add: consolidation adjustment[3] | 4,518,496,000 | | 394,132,000 | 4,124,364,000 |
| Total—Other | 18,006,750,544 | 2,838,856,550 | 2,462,029,075 | 18,383,578,019 |
| Total | 18,985,364,027 | 4,519,584,750 | 4,109,908,427 | 19,395,040,350 |

(1) This amount represents a revaluation adjustment.
(2) In previous years, the portion expensed due to the concessionary terms of certain loans was reported within the allowance for valuation of assets. In the current year, this amount is presented as a reduction to the asset value balances in Table 9.15.
(3) Additional information on consolidated Crown corporations and other entities is also provided in Section 4 of this volume.

### Unconditionally repayable contributions

Unconditionally repayable contributions are, in substance loans, and are generally made to businesses pursuant to various Acts of Parliament, with various amounts outstanding.

These loans are aimed at stimulating economic development or for assistance. They bear various interest rates, some of which have concessional terms, and are repayable at various due dates with final instalments due within up to 10 years of initial disbursement.

Loans made on a long-term, low-interest or interest-free basis are recorded in part as expenses when the economic value of the loans is reduced due to their concessionary terms.

### Missions abroad

Non-interest bearing advances have been made for interim financing of expenses at missions abroad, pending distribution to appropriations of Foreign Affairs and International Trade and other departments and agencies.

The total amount authorized to be outstanding at any time is $50,000,000.

### Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies, as well as medical advances to locally-engaged staff.

The total amount authorized to be outstanding at any time is $22,500,000.

The closing balance consists of loans to employees, $11,106,327; advances for medical expenses, $997,531; advances for workmen's compensation, $9,565; security and other deposits under Foreign Service Directives, $771,747 and, school and club debentures, $1,598,668.

The loans to employees bear interest at rates from 2.75 percent to 5.0 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 2008 and March 1, 2012.

### Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: *(a)* public funds imprest and public funds advance accounts; *(b)* standing advances; *(c)* authorized loans and advances to employees posted abroad; and, *(d)* authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is $120,000,000, as last amended by National Defence Vote L11b, *Appropriation Act No. 4, 2001-2002*.

### Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

### Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is $22,000,000.

### Construction of multi-purpose exhibition buildings

The remaining loan has been made to finance the construction of a multi-purpose exhibition building.

The loan is currently in default and will continue to bear interest at a fixed rate of 8.511 percent per annum. The loan is guaranteed by the province; consequently, the province is being contacted to honor the loan guarantee.

### National Marketing Programs

Loans made by financial institutions under the *Farm Improvement and Marketing Cooperative Loans Act* and advances made by producer organizations under the *Agricultural Marketing Programs Act* are guaranteed by the Crown. Where the guarantee is honoured, the Crown becomes subrogated to the financial institution's or producer organization's rights to outstanding principal, interest and costs.

### Cultural property

Loans were made to designated heritage institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the *Cultural Property Export and Import Act*, or for the purchase of cultural property situated outside Canada which is important to the national heritage.

During the year, the account was closed.

### Immigration loans

Section 88 of the *Immigration and Refugee Protection Act* authorizes the making of loans for the purpose of the *Act*.

The total amount authorized to be outstanding at any time is $110,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

*(a)* repayable by monthly instalments over 1 to 7 years, with a possible deferment of 2 years, bearing interest at rates from 3.56 percent to 10.718 percent per annum, with final instalments between April 1, 2008 and April 1, 2015, $34,186,907; and,

*(b)* repayable by monthly instalments over 1 to 6 years, with a possible deferment of 2 years, non-interest bearing, with final instalments past due, $202,903.

During the year, loans totalling $1,596,540 were written off by Citizenship and Immigration Vote 2a, *Appropriation Act No. 3, 2007-2008*.

### Canadian Commercial Bank

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the *Canadian Commercial Bank Financial Assistance Act*. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank and the purchase of outstanding debentures from existing holders.

### Financial Consumer Agency of Canada—Advances

Interest-bearing advances have been made to defray the cost of operation of the Agency pursuant to Section 13(1) of the *Financial Consumer Agency of Canada Act*.

During the year, the advances were repaid in full.

### Canadian producers of frozen groundfish

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### Haddock fishermen

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is $1,650,000.

The loans bore interest at the rate of 8 percent per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

## Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize Export Development Canada ("the Corporation") to enter into certain transactions or class of transactions where the Minister is of the opinion it is in the national interest and where the Corporation has advised the Minister that it will not enter into such transactions without such authorization. Funding for such transactions is provided by the Minister of Finance out of the Consolidated Revenue Fund and the transactions are administered by the Corporation on behalf of the Government of Canada.

Loan transactions with longer repayment terms and/or low or zero interest rates are recorded in part as expenses when the economic value is reduced due to such concessionary terms.

Tables 11.4 and 11.5 (Section 11 of this volume) present additional information on contractual obligations and guarantees that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The following table presents the balances and transactions for loans made to non-sovereign entities, together with their terms and conditions of repayments.

| | | Payments and other charges | | Receipts and other credits | | |
|---|---|---|---|---|---|---|
| | April 1/2007 | Payments or other charges [1] | Revaluation | Receipts or other credits [2] | Revaluation | March 31/2008 |
| | $ | $ | $ | $ | $ | $ |
| (a) 1 to 5 year term, 8.5 percent interest per annum, with final repayment in April 2000: | | | | | | |
| Brazil | 3,812,242 | | | | 413,332 | 3,398,910 |
| (b) 6 to 10 year term, 8.97 percent to 9.00 percent interest per annum, with final repayment in February 2008: | | | | | | |
| Antigua | 27,177,982 | | | 7,278,958 | 2,792,222 | 17,106,802 |
| (c) 11 to 15 year term, 0 percent to 5.89 percent interest per annum, with final repayments between April 2008 and March 2022: | | | | | | |
| United States | 2,281,803,331 | | | 87,211,062 | 334,839,028 | 1,859,753,241 |
| (d) 16 to 20 year term, 0 percent interest per annum, with final repayments between June 2012 and November 2014: | | | | | | |
| Spain | 19,272,003 | | 952,661 | 700,101 | | 19,524,563 |
| Thailand | 3,107,065 | | | 502,299 | 338,247 | 2,266,519 |
| | *22,379,068* | | *952,661* | *1,202,400* | *338,247* | *21,791,082* |
| Subtotal | 2,335,172,623 | | 952,661 | 95,692,420 | 338,382,829 | 1,902,050,035 |
| Less: portion expensed due to concessionary terms | 14,111,351 | 2,150,661 | | | | 11,960,690 |
| Total | 2,321,061,272 | 2,150,661 | 952,661 | 95,692,420 | 338,382,829 | 1,890,089,345 |

Note: Final repayment dates may change if loan amounts are rescheduled or restructured.

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

## Canada Student Loans Program

*Direct loans to students*

Loans issued on or after August 1, 2000 are operated under the authority of section 6.1 of the *Canada Student Financial Assistance Act*, which authorizes the Minister of Human Resources and Social Development (Human Resources and Skills Development) to enter into loan agreements directly with any qualifying student. Agreements are subject to the terms and conditions approved by the Governor in Council, on the recommendation of the Minister of Human Resources and Social Development (Human Resources and Skills Development) with the concurrence of the Minister of Finance.

The total amount of loans outstanding may not exceed fifteen billion dollars, except as otherwise provided by an Appropriation Act or other Act of Parliament.

The total amount of loans outstanding as at March 31, 2008 amounts to $10,530,466,255 ($9,430,976,993 as at March 31, 2007).

During the year, loans totalling $395,565 were written off by Human Resources and Skills Development Vote 7b, *Appropriation Act No. 4, 2007-2008*.

*Guaranteed and risk-shared student loans*

Loans issued prior to August 1, 2000 include loans outstanding which are amounts related to student loans subrogated to the Crown under the *Canada Student Loans Act* and under the *Canada Student Financial Assistance Act*. The total amount of loans outstanding as at March 31, 2008 amounts to $377,140,360 ($445,480,564 as at March 31, 2007).

## Provincial workers' compensation boards

This account is operated under the authority of subsection 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the *Act* on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

## Aboriginal Business Loan Insurance Program

On December 1, 2006, Aboriginal Business Canada, including the Aboriginal Business Loan Insurance Program, formerly a program of Industry Canada, was transferred to the Department of Indian Affairs and Northern Development.

The Aboriginal Business Loan Insurance Program was established under the *Department of Industry, Science and Technology Act*, section 9 and paragraph 15 (1)(b), and Orders in Council PC 1990-370 and PC 1990-371, and amended under the *Department of Industry Act (1995)*, Part IV, paragraph 14 (1)(b).

Non-interest bearing loans have been made to Aboriginal Canadians to increase their commercial enterprise activity as a major step towards enhancing their economic self-reliance, by providing financial and advisory assistance at various stages and for several aspects of enterprise development.

## Council of Yukon First Nations—Elders

Loans have been made to the Council of Yukon First Nations, to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indian land claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L30, Appropriation Act No. 2, 2007-2008.

The terms and conditions of the loans are as follows:

*(a)* loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;

*(b)* loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,

*(c)* loans are due and payable, as to principal and interest, on the date on which the claim is settled or on a date fixed in the agreement, which shall be not later than March 31, 2008, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 2.28 percent to 3.61 percent per annum.

## Farm Credit Canada Guarantee Loans Program

The Farm Credit Canada guarantee loans program was discontinued as of November 14, 1989. The last active loan guarantee has expired and no future loan guarantees will be given under this program.

As of March 31, 2008, the outstanding amount represents the remaining defaulted loans reimbursed to the lenders by the Minister. These loans are deemed unrecoverable and the balance will be written off in future years.

## First Nations in British Columbia

Loans have been made to First Nations in British Columbia, to support their participation in the British Columbia Treaty Commission process related to the research, development and negotiation of treaties.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L35, *Appropriation Act No. 2, 2007-2008*.

The terms and conditions of the loans are as follows:

*(a)* loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;

*(b)* loans made before April 1, 2004 and after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations;

*(c)* loans made between April 1, 2004 and March 31, 2009 and after the date on which an agreement-in-principle for the settlement of a treaty has been reached, shall be interest free, unless the loans become due and payable during this period; and,

*(d)* loans are due and payable by the First Nations and will pay the loan on the earliest of the following dates:

*i.* date on which the treaty is settled;

*ii.* twelfth anniversary of the first loan advance to the First Nations under the earliest First Nations' funding agreement;

*iii.* seventh anniversary after the signing of an agreement-in-principal, or;

*iv.* date the federal minister demands payment of the loans due to an event of default under this agreement or under any First Nations' funding agreement.

The interest-bearing and non-interest bearing portions of the loans outstanding at year end are $54,059,828 and $338,204,720 respectively. Rates are from 2.2787 percent to 5.185 percent per annum for the interest-bearing portion.

### Indian Economic Development Fund

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is $48,550,835, as last amended by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1996-97*.

All outstanding loans bear interest at rates from 7 percent to 11.25 percent per annum.

### Indian Economic Development Guarantee Loans Program

The Indian Economic Development Guarantee authority, established under Vote L53(b), *Appropriation Act No.1, 1970*, amended under P.C. 1977-3608, authorized the department to guarantee loans for Indian businesses on a risk-sharing basis with commercial lenders. The guarantee level is not to exceed at any time $60,000,000, less the total amount of payments made to implement previous guarantees under that authority.

Simple interest, usually based on a percentage plus the prime rate, will accrue on the debt after payout. All payments, including accrued interest, remain as a debt of the client until recovered in full.

### Inuit Loan Fund

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is $6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No.4, 1995-96*.

The remaining loan bears interest at a rate of 5.50 percent per annum.

### Native Claimants

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L30, *Appropriation Act No. 2, 2007-2008*.

The terms and conditions of the loans are as follows:

*(a)* loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;

*(b)* loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,

*(c)* loans are due and payable as to principal and interest on the date on which the claim is settled, or on a date fixed in the agreement.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are $130,568,145 and $292,936,320 respectively. Rates are from 2.13 percent to 11.89 percent per annum for the interest-bearing portion.

### On Reserve Housing Guarantee Loans Program

On Reserve Housing guarantees provide needed support to Indian or Indian bands residing on reserves or crown land. Reserves are, as such, non mortgageable and the ministerial guarantee provides security to the lending institution in the event of a default by the client.

The total amount authorized to be outstanding at any time is $1.7 billion, as last amended by Indian Affairs and Northern Development Vote 5, *Appropriation Act No.3, 1972*, Indian Affairs and Northern Development Vote 5d, *Appropriation Act No.1, 1977* and Indian Affairs and Northern Development Vote 6b, *Appropriation Act No.3, 1993-94*.

If a loan made under the Minister's guarantee goes into default, the lender has resource to the Minister for reimbursement. In 1987, a reserve for losses of $2 million per annum was established within the department's reference levels to cover all Guarantee Loan Programs administered by Indian Affairs and Northern Development. Such payments remain a debt of the First Nation to the Crown and interest is accrued and capitalized on these debts at the contract interest rate applicable at the time the loan was assigned to the Minister. Recovery of the debt is made to the extent possible, from the security used as collateral, such as trust money or land claim funds, or through repayment agreements.

### Stoney Band Perpetual Loan

In 1946, loans were made to Stoney Band of Alberta for land acquisition beyond their treaty entitlement.

A loan not exceeding $500,000 was made to purchase additional land. Under the terms of the agreement, as stated in Treasury Board Minutes, P.C. 2/1437 dated April 11, 1946, the Band assigned monies accruing to them, from the rental of their water resources to provide interest payments at the rate of 3 percent annually on the amount of the loan that had actually been expended. In the same agreement, the Band resolved that the Department allots $200,000 to the Pekisko Group, and $300,000 for the additions to Morley Reserve.

### Company stock option

Pursuant to section 14 of the *Department of Industry Act*, this account establishes authority, in accordance with terms and conditions prescribed by regulations of the Governor in Council,

*(a)* to take, purchase, exercise, assign or sell, on behalf of Her Majesty in Right of Canada, a stock option in a company in connection with the provision of a loan, insurance of a loan, or contribution made to the company by Her Majesty under a program authorized by the Governor in Council where, in the opinion of the Minister,

*i.* it is necessary to take, purchase, exercise, assign or sell the stock option in order to permit Her Majesty in Right of Canada to benefit from the purchase; or

*ii.* it is necessary to take, purchase, exercise, assign or sell, the stock option in order to protect the Crown's interest in respect of a loan made or insured, or contribution made; and

*(b)* to authorize the sale or other disposition of any capital stock acquired.

During the year, additional purchases were authorized by Industry Vote L15, *Appropriation Act No. 2, 2007-2008*.

### Manufacturing, processing and service industries in Canada

This account records loans made to persons engaged or about to engage or assist in manufacturing, processing or service industries in Canada in order to promote the establishment, improvement, growth, efficiency or international competitiveness of such industries or to assist them in their financial restructuring.

During the year, additional loans were authorized by Industry Vote L20, *Appropriation Act No. 2, 2007-2008*.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

### Small Business loans

This account records money owed to the Government by borrowers upon default of loans that are subject to statutory authorities, pursuant to the *Small Business Loans Act* (SBLA), the *Canada Small Business Financing Act* (CSBFA) and the capital leasing pilot project. These authorities provide for the payment of claims or the sharing of loan losses between lenders and the Government.

### H. L. Holmes Fund

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

### Hibernia Development Project

Loans have been made to facilitate the implementation of the Hibernia Development Project pursuant to section 14 of the *Department of Industry Act*.

Loan agreements were signed between Canada and each of the three companies involved in the 1993 purchase of Gulf Canada's Hibernia share. Loans of $132 million were provided to owners to assist in offsetting the tax consequences of not being able to use the deductions generated by the Hibernia Development Project in the calculation of the companies' taxable income.

Loans in the amount of $66 million were made on June 30, 1995 as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*. The remaining $66 million was loaned on July 2, 1996.

Loans are interest-free and are repayable in 10 equal annual instalments commencing June 30, 1999, with the final instalment on June 30, 2008.

### Nordion International Inc.

A $100 million loan has been made to Nordion International Inc. for the construction of two nuclear reactors and related processing facilities to be used in the production of medical isotopes pursuant to an agreement reached on June 28, 1996 between MDS Health Group Ltd., Nordion International Inc. and Natural Resources Canada.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

### Parolees

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is $50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling $500 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

### Seized Property Working Capital Account

This account was established by section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. This account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds of their disposal are received and credited with seized cash upon forfeiture.

The total amount authorized to be outstanding at any time is $50,000,000.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to this account.

### Canadian Airport Authorities

The loans stems from agreements regarding the transfer of chattels and consumable stock to individuals authorities (13) upon transfer of the management, operation and maintenance responsibilities to the authority under the National Airports Policy.

The loans portfolio consists of 13 non-interest bearing loans to Canadian Airport Authorities issued in the years 1997-2003. Due to a change in policy practices, a decision was made to forgive the remaining repayments owed and an authority approval will be requested.

### Saint John Harbour Bridge Authority

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

### St. Lawrence Seaway Management Corporation

This account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between the Department of Transport and the Corporation. The repayments of these loans are recorded in this account.

The remaining loan bears interest at rates from 7 percent to 9.5 percent per annum, and is repayable at monthly rates, with the final instalment of the existing terms being March 2009.

### Joint Learning Program

Advances have been made to the Public Service Alliance of Canada (PSAC) for the Joint Learning Program (JLP). In October 2004, a Memorandum of Understanding between the Treasury Board and PSAC was included in the collective bargaining agreements to provide funding for a JLP. The JLP is a partnership between PSAC and the Public Service Human Resources Management Agency of Canada (PSHRMAC). It is intended to provide joint union-management learning opportunities in areas where both parties have roles and responsibilities, and for which the Employer does not already have a legal obligation to provide training.

Payments are made to PSAC under Vote 20 and are authorized under the terms of reference of the Program. The terms of reference include the program costs, funding conditions, payment conditions, timelines, as well as a schedule of payments. The schedule of payments provides for a 2-month advance from TBS to PSAC to provide for program delivery costs. When actual expenses are reported every two months, the advance is reversed and the expenditure is recorded.

### Commonwealth War Graves Commission

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

### Veterans' Land Act Fund

*Advances*

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is $605,000,000.

*Allowance for conditional benefits*

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenses and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

### Other departments—Miscellaneous

This account represents amounts outstanding in the hands of agencies and individuals, at year end. This group records loans, investments and advances not classified elsewhere.

### Consolidation adjustment

The consolidation adjustment reflects the total loans, investments and advances held by Crown corporations and other consolidated entities. These mainly include investments such as bonds, money market funds and fixed income securities.

## Allowance for Valuation

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation, for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

# SECTION 10

2007-2008

*PUBLIC ACCOUNTS OF CANADA*

# Non-Financial Assets

CONTENTS


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| Non-financial assets | 10.2 |
| Tangible capital assets | 10.4 |
| Vehicles | 10.6 |
| Assets under capital leases | 10.6 |

## NON-FINANCIAL ASSETS

Non-financial assets are assets that have an economic life that extends beyond the accounting period and that are intended for consumption in the normal course of operations. They are converted into expense in future periods and include tangible capital assets, inventories, and prepaid expenses.

Tangible capital assets consist of acquired, built, developed or improved tangible assets, which are intended to be used on a continuous basis and are not intended for sale in the ordinary course of business. For financial reporting purposes, tangible capital assets are grouped in the following categories: land, buildings, works and infrastructure, machinery and equipment, vehicles, leasehold improvements, assets under construction, and assets under capital leases.

Inventories are items of tangible property that are to be used in the delivery of program outputs. Some revolving funds and a few departments may have inventories held for resale to parties outside the Government.

Prepaid expenses are disbursements made, pursuant to a contract, before the completion of the work, delivery of the goods or rendering of the service or advance payments under the terms of contribution agreements.

Table 10.1 presents the non-financial assets by category.

**TABLE 10.1**

NON-FINANCIAL ASSETS BY CATEGORY

(in thousands of dollars)

| | March 31/2008 | March 31/2007 |
|---|---|---|
| Net tangible capital assets, Table 10.2 | | |
| Land | 1,369,900 | 1,398,735 |
| Buildings | 8,965,660 | 9,111,450 |
| Works and infrastructure | 4,859,475 | 4,845,559 |
| Machinery and equipment | 9,150,501 | 8,668,635 |
| Vehicles, Table 10.3 | 13,892,467 | 13,332,957 |
| Leasehold improvements | 800,081 | 787,995 |
| Assets under construction | 8,799,033 | 7,813,395 |
| Assets under capital leases, Table 10.4 | 3,311,841 | 3,100,963 |
| | 51,174,953 | 49,045,689 |
| Inventories | 6,248,072 | 5,967,831 |
| Prepaid expenses | 1,220,720 | 1,813,162 |
| Total | 58,643,747 | 56,826,682 |

**CHART 10A**

NON-FINANCIAL ASSETS BY CATEGORY AT MARCH 31, 2008

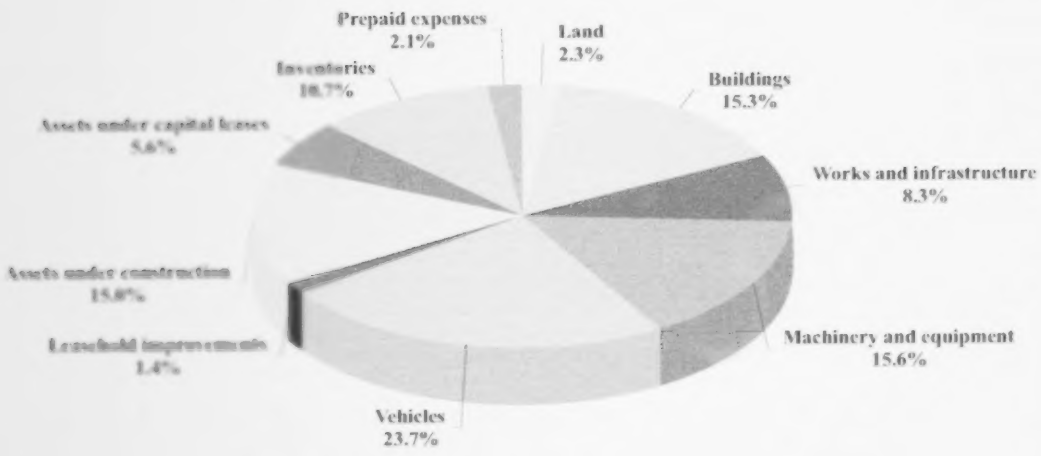
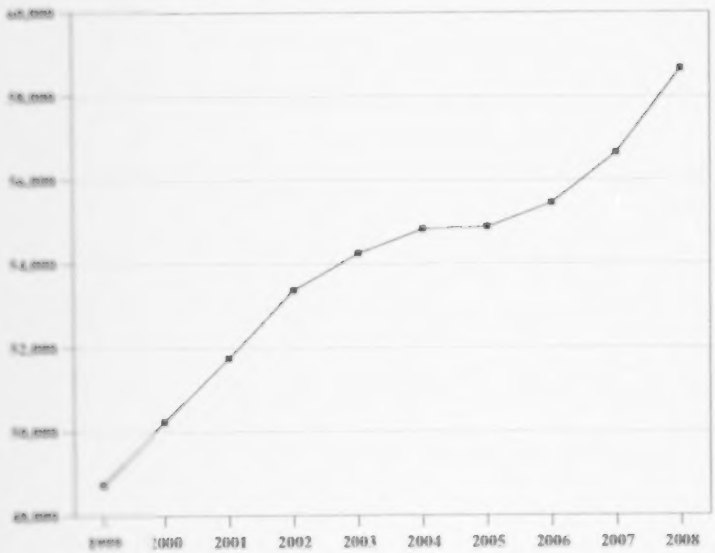



**CHART 10B**

NON-FINANCIAL ASSETS AT MARCH 31

(in millions of dollars)



## Tangible Capital Assets

Table 10.2 presents tangible capital assets by main custodian ministries.

**TABLE 10.2**

TANGIBLE CAPITAL ASSETS BY MAIN CUSTODIAN MINISTRIES

(in thousands of dollars)

| | Land | Buildings | Works and infrastructure | Machinery and equipment |
|---|---|---|---|---|
| Capital assets at cost | | | | |
| Environment | 182,079 | 848,268 | 2,321,454 | 738,275 |
| Fisheries and Oceans | 20,365 | 497,929 | 1,896,246 | 456,908 |
| Foreign Affairs and International Trade | 240,538 | 1,133,125 | 2,642 | 144,265 |
| Industry | 12,507 | 774,596 | 26,728 | 2,797,327 |
| National Defence | 78,022 | 6,023,964 | 1,733,920 | 12,365,856 |
| Public Safety and Emergency Preparedness | 62,948 | 2,550,058 | 464,986 | 956,017 |
| Public Works and Government Services | 197,618 | 3,121,971 | 861,552 | 203,082 |
| Transport | 200,939 | 988,835 | 2,879,035 | 215,417 |
| Other ministries | 27,505 | 1,270,159 | 61,739 | 2,499,111 |
| | *1,022,521* | *17,208,905* | *10,248,302* | *20,376,258* |
| Consolidated Crown corporations and other entities | 347,379 | 1,723,750 | 1,063,431 | 2,708,088 |
| Gross total capital assets | 1,369,900 | 18,932,655 | 11,311,733 | 23,084,346 |
| Accumulated amortization | | | | |
| Environment | | 551,171 | 1,528,370 | 528,620 |
| Fisheries and Oceans | | 307,686 | 975,724 | 340,817 |
| Foreign Affairs and International Trade | | 526,902 | 36 | 110,562 |
| Industry | | 417,206 | 17,155 | 1,621,797 |
| National Defence | | 2,582,735 | 1,028,637 | 6,997,603 |
| Public Safety and Emergency Preparedness | | 1,084,897 | 279,198 | 567,652 |
| Public Works and Government Services | | 2,080,906 | 357,971 | 166,626 |
| Transport | | 613,163 | 1,650,778 | 139,524 |
| Other ministries | | 799,455 | 25,632 | 1,623,589 |
| | | *8,964,121* | *5,863,501* | *12,096,790* |
| Consolidated Crown corporations and other entities | | 1,002,874 | 588,760 | 1,817,055 |
| Total accumulated amortization | | 9,966,995 | 6,452,261 | 13,913,845 |
| Total net capital assets | | | | |
| Environment | 182,079 | 297,097 | 793,084 | 209,655 |
| Fisheries and Oceans | 20,365 | 190,243 | 920,522 | 116,091 |
| Foreign Affairs and International Trade | 240,538 | 606,223 | 2,606 | 33,703 |
| Industry | 12,507 | 357,390 | 9,573 | 1,175,530 |
| National Defence | 78,022 | 3,441,229 | 705,283 | 5,368,253 |
| Public Safety and Emergency Preparedness | 62,948 | 1,465,161 | 185,788 | 388,365 |
| Public Works and Government Services | 197,618 | 1,041,065 | 503,581 | 36,456 |
| Transport | 200,939 | 375,672 | 1,228,257 | 75,893 |
| Other ministries | 27,505 | 470,704 | 36,107 | 875,522 |
| | *1,022,521* | *8,244,784* | *4,384,801* | *8,279,468* |
| Consolidated Crown corporations and other entities | 347,379 | 720,876 | 474,671 | 891,033 |
| Total net capital assets | 1,369,900 | 8,965,660 | 4,859,472 | 9,170,501 |

Comparative figures have been restated to conform to the current year's presentation.

(1) Details can be found in Table 10.3.

(2) Details can be found in Table 10.4.

| Vehicles[1] | Leasehold improvements | Assets under construction | Assets under capital leases[2] | Total March 31/2008 | Total March 31/2007 |
|---|---|---|---|---|---|
| 137,640 | 35,899 | 251,240 | 18,213 | 4,533,068 | 4,400,801 |
| 1,716,035 | 540,188 | 303,384 | 525 | 5,451,580 | 5,370,100 |
| 129,030 | 166,110 | 89,800 | | 1,905,510 | 1,687,865 |
| 27,957 | 48,288 | 208,043 | 69,555 | 3,965,001 | 3,774,021 |
| 28,727,904 | 20,388 | 5,267,533 | 1,172,168 | 55,339,755 | 51,007,948 |
| 562,170 | 37,733 | 478,534 | | 5,112,446 | 4,833,912 |
| 9,835 | 406,111 | 1,168,114 | 2,107,380 | 8,075,663 | 7,738,276 |
| 788,672 | 15,372 | 101,375 | 818,820 | 6,008,465 | 6,017,293 |
| 151,039 | 309,408 | 562,620 | 24,251 | 4,905,832 | 4,458,325 |
| *32,270,282* | *1,579,497* | *8,430,643* | *4,160,917* | *95,297,320* | *89,288,541* |
| 1,227,487 | 247,270 | 368,390 | 546,491 | 8,232,286 | 8,191,271 |
| 33,497,769 | 1,826,767 | 8,799,033 | 4,707,403 | 103,529,606 | 97,479,812 |
| | | | | | |
| 100,083 | 21,124 | | 4,370 | 2,733,738 | 2,626,980 |
| 1,230,232 | 330,694 | | 137 | 3,185,285 | 3,066,287 |
| 23,843 | 72,360 | | | 733,703 | 657,181 |
| 20,476 | 15,374 | | 9,115 | 2,101,123 | 1,920,560 |
| 16,422,108 | 7,940 | | 348,916 | 27,387,939 | 24,870,460 |
| 298,848 | 8,309 | | | 2,238,904 | 2,040,805 |
| 5,279 | 207,678 | | 689,286 | 3,507,696 | 3,393,526 |
| 563,457 | 8,123 | | 88,706 | 3,063,751 | 2,939,602 |
| 92,124 | 203,558 | | 13,335 | 2,757,693 | 2,492,441 |
| *18,756,430* | *875,110* | | *1,153,860* | *47,709,832* | *44,007,762* |
| 848,852 | 145,576 | | 241,702 | 4,644,819 | 4,436,351 |
| 19,605,302 | 1,020,686 | | 1,395,562 | 52,354,651 | 48,444,113 |
| | | | | | |
| 37,557 | 14,775 | 251,240 | 13,843 | 1,799,330 | 1,773,901 |
| 505,803 | 209,494 | 303,384 | 393 | 2,266,295 | 2,303,813 |
| 105,187 | 93,750 | 89,800 | | 1,171,807 | 1,030,684 |
| 7,481 | 32,914 | 208,043 | 60,440 | 1,863,878 | 1,853,461 |
| 12,305,796 | 12,448 | 5,267,533 | 773,252 | 27,951,816 | 26,137,488 |
| 263,322 | 29,424 | 478,534 | | 2,873,542 | 2,793,107 |
| 4,556 | 198,483 | 1,168,114 | 1,418,094 | 4,567,967 | 4,344,750 |
| 225,215 | 7,249 | 101,375 | 730,114 | 2,944,714 | 3,077,691 |
| 58,915 | 105,850 | 562,620 | 10,916 | 2,148,139 | 1,965,884 |
| *13,513,842* | *704,387* | *8,430,643* | *3,007,032* | *47,587,488* | *45,280,779* |
| 378,635 | 101,694 | 368,390 | 304,789 | 3,587,467 | 3,754,920 |
| 13,892,467 | 806,081 | 8,799,033 | 3,311,841 | 51,174,955 | 49,035,699 |

## Vehicles

Table 10.3 presents the details of vehicles by sub-category.

**TABLE 10.3**

VEHICLES BY SUB-CATEGORY
(in thousands of dollars)

| | Cost | Accumulated amortization | March 31/2008 | March 31/2007 |
|---|---|---|---|---|
| Ships and boats | 15,078,193 | 7,728,402 | 7,349,791 | 7,402,787 |
| Aircraft | 13,965,613 | 9,041,671 | 4,923,992 | 4,359,546 |
| Motor vehicles | 1,947,928 | 1,171,471 | 776,457 | 731,232 |
| Military vehicles | 1,441,269 | 993,821 | 447,448 | 418,685 |
| Other vehicles | 1,065,366 | 670,587 | 394,779 | 420,707 |
| Total | 33,497,769 | 19,605,302 | 13,892,467 | 13,332,957 |

## Assets under Capital Leases

Table 10.4 presents the details of assets under capital leases by main category.

**TABLE 10.4**

ASSETS UNDER CAPITAL LEASES BY MAIN CATEGORY
(in thousands of dollars)

| | Cost | Accumulated amortization | March 31/2008 | March 31/2007 |
|---|---|---|---|---|
| Land | 44,942 | | 44,942 | 44,942 |
| Buildings | 2,778,361 | 973,593 | 1,804,768 | 1,407,955 |
| Works and infrastructure | 818,920 | 88,785 | 730,115 | 738,303 |
| Machinery and equipment | 48,532 | 21,774 | 26,758 | 20,395 |
| Vehicles | 1,016,748 | 311,090 | 705,658 | 895,368 |
| Total | 4,707,503 | 1,395,562 | 3,311,841 | 3,106,963 |

# SECTION 11

**2007-2008**

***PUBLIC ACCOUNTS OF CANADA***

# Contractual Obligations and Contingent Liabilities

**CONTENTS**


| | *Page* |
|---|---|
| Contractual obligations | 11.2 |
| Contingent liabilities | 11.17 |

# CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

This section contains detailed information related to contractual obligations and contingent liabilities.

## Contractual Obligations

The nature of Government activity results in multi-year contracts and agreements, including various international treaties and protocols. Contractual obligations are financial obligations of the Government to others that will become liabilities when the terms of those contracts or agreements for the acquisition of goods and services or the provision of transfer payments are met. In the case of contractual obligations to international organizations, some will result in future budgetary expenses while others will result in non-budgetary payments.

Contractual obligations can be classified into four main categories: transfer payment agreements (grants and contributions), fixed assets and purchases, operating leases and international organizations.

All outstanding contractual obligations of $10 million or more per project at year end are reported for fixed assets, purchases, operating leases and transfer payment agreements. For international organizations, all contractual obligations in excess of $1 million at year end are reported.

In accordance with the Government's significant accounting policies, the contractual obligations of consolidated Crown corporations are included with those of the Government.

Table 11.1 summarizes these contractual obligations. Details of the four types of contractual obligations can be found in other tables in this section.

**TABLE 11.1**
CONTRACTUAL OBLIGATIONS
(in millions of dollars)

| | Transfer payments | Acquisition of property and purchases | Operating leases | International organizations | Total |
|---|---|---|---|---|---|
| Information from: | | | | | |
| Transfer payment agreements, fixed assets, purchases and operating leases, Table 11.3 | 44,639 | 18,449 | 2,403 | | 65,491 |
| International contractual obligations, Table 11.4 | | | | 1,791 | 1,791 |
| Total | 44,639 | 18,449 | 2,403 | 1,791 | 67,282 |

Table 11.2 summarizes the information presented in Table 11.1 to indicate the minimum amounts required to satisfy obligations under contractual obligations each year from 2009 to 2013 inclusive, and a total for amounts due in the year 2014 and subsequently.

**TABLE 11.2**
SCHEDULE OF MINIMUM PAYMENTS
(in millions of dollars)

| Minimum payments to be made in: | Transfer payment agreements | Acquisition of fixed assets and purchases | Obligations under operating lease arrangements | Obligations to international organizations | Total |
|---|---|---|---|---|---|
| 2009 | 8,689 | 5,454 | 308 | 644 | 15,095 |
| 2010 | 7,519 | 3,137 | 330 | 567 | 11,553 |
| 2011 | 3,991 | 1,867 | 271 | 577 | 6,706 |
| 2012 | 3,147 | 1,206 | 234 | 3 | 4,590 |
| 2013 | 2,612 | 936 | 195 | | 3,743 |
| 2014 and subsequently | 18,681 | 5,849 | 1,065 | | 25,595 |
| Total | 44,639 | 18,449 | 2,403 | 1,791 | 67,282 |

## Transfer Payment Agreements, Fixed Assets, Purchases and Operating Leases

Table 11.3 provides details of contractual obligations that involve: transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual obligations by category and by entity. Contractual obligations are summarized in Note 13 to the financial statements in Section 2 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchases are supported by contracts to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

### TABLE 11.3
### TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequently |
| **Transfer payment agreements—** | | | | | | | | | | |
| Agriculture and Agri-Food | | | | | | | | | | |
| Grant | | | | | | | | | | |
| Canadian Cattleman's Association | 50 | 50 | 12 | 38 | 10 | 10 | 10 | 8 | | |
| Canadian Heritage | | | | | | | | | | |
| Contributions | | | | | | | | | | |
| Agreement on Minority Language Education and Second Official Language Instruction | | | | | | | | | | |
| Government of Alberta | 53 | 53 | 39 | 14 | 14 | | | | | |
| Government of British Columbia | 60 | 60 | 45 | 15 | 15 | | | | | |
| Government of Manitoba | 48 | 48 | 36 | 12 | 12 | | | | | |
| Government of New Brunswick | 87 | 87 | 65 | 22 | 22 | | | | | |
| Government of Ontario | 301 | 301 | 230 | 71 | 71 | | | | | |
| Government of Quebec | 256 | 256 | 192 | 64 | 64 | | | | | |
| Canada Post Corporation | | | | | | | | | | |
| Publication Assistance Program | 91 | 91 | 46 | 45 | 45 | | | | | |
| Corporation of the Council of Ministers of Education, Canada | | | | | | | | | | |
| Odyssey and Accent Program | 28 | 28 | 17 | 11 | 11 | | | | | |
| Explore and Destination Clic Program | 53 | 53 | 34 | 19 | 19 | | | | | |
| Foundation to Assist Canadian Talent on Recordings | | | | | | | | | | |
| Canada Music Fund | 25 | 25 | 13 | 12 | 6 | 6 | | | | |
| La Société du 400e Anniversaire de Québec | | | | | | | | | | |
| Celebration, Commemoration and Learning Program | 39 | 39 | 20 | 19 | 19 | | | | | |
| National Association of Friendship Center | | | | | | | | | | |
| Aboriginal People's Program | 111 | 111 | 57 | 54 | 27 | 27 | | | | |
| Telefilm Canada | | | | | | | | | | |
| Canada New Media Fund | 27 | 27 | 12 | 15 | 15 | | | | | |
| The Historica Foundation of Canada | | | | | | | | | | |
| Exchanges Canada | 16 | 16 | 6 | 10 | 3 | 3 | 3 | 1 | | |
| Other contributions | 129 | 129 | 87 | 42 | 38 | 4 | | | | |
| Citizenship and Immigration | | | | | | | | | | |
| Canada-British Columbia Agreement | 661 | 661 | 81 | 580 | 116 | 116 | 116 | 116 | 116 | |
| Canada-Manitoba Agreement | 136 | 136 | 16 | 120 | 24 | 24 | 24 | 24 | 24 | |
| Canada-Quebec Agreement | 1,410 | 1,410 | 198 | 1,212 | 216 | 234 | 254 | 254 | 254 | |
| Economic Development Agency of Canada for the Regions of Quebec | | | | | | | | | | |
| Chantier de l'économie sociale | | | | | | | | | | |
| Community Diversification Program | 23 | 23 | 12 | 11 | 11 | | | | | |

**TABLE 11.3**

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Continued*

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subse-quently |
| Community Futures Program | 396 | 396 | 332 | 64 | 32 | 32 | | | | |
| Montreal International | | | | | | | | | | |
| Business and regional growth program | 46 | 46 | 17 | 29 | 3 | 3 | 2 | 2 | 2 | 17 |
| Government of Quebec | | | | | | | | | | |
| Infrastructure Canada Program | 509 | 509 | 434 | 75 | 64 | 9 | 2 | | | |
| Other contributions | | | | | | | | | | |
| Business and regional growth program | 186 | 186 | 88 | 98 | 63 | 26 | 6 | 2 | 1 | |
| Community Diversification Program | 156 | 156 | 69 | 87 | 55 | 18 | 11 | 2 | 1 | |
| Foreign Affairs and International Trade | | | | | | | | | | |
| Department | | | | | | | | | | |
| International Centre for Human Rights and Democratic Development | 24 | 24 | 5 | 19 | 5 | 5 | 5 | 4 | | |
| Canadian International Development Agency | | | | | | | | | | |
| Canadians | 28 | 28 | 4 | 24 | 10 | 11 | 3 | | | |
| Development Partners | 1,348 | 1,348 | 789 | 559 | 280 | 151 | 85 | 32 | 4 | 7 |
| Institutions | 881 | 881 | 532 | 349 | 177 | 85 | 56 | 31 | | |
| Selected countries and regions | 741 | 741 | 451 | 290 | 105 | 103 | 41 | 16 | 8 | 17 |
| States and Countries experiencing Humanitarian crisis | 540 | 540 | 167 | 373 | 132 | 114 | 71 | 52 | 4 | |
| Health | | | | | | | | | | |
| Department | | | | | | | | | | |
| Canadian Agency for Drugs and Technologies in Health | 85 | 85 | | 85 | 17 | 17 | 17 | 17 | 17 | |
| CCSA | 19 | 19 | 8 | 11 | 4 | 4 | 3 | | | |
| Canadian Council for Donation and Transplantation | 18 | 18 | | 18 | 4 | 3 | 4 | 3 | 4 | |
| Canadian Institute for Health Information | 360 | 360 | 33 | 327 | 82 | 82 | 82 | 81 | | |
| Canadian Partnership Against Cancer Corporation | 226 | 226 | 26 | 200 | 50 | 50 | 50 | 50 | | |
| Control and provision of Health Services to Indian Bands, associations or groups | 193 | 193 | 54 | 139 | 40 | 39 | 32 | 27 | 1 | |
| Health Council of Canada | 10 | 10 | | 10 | 10 | | | | | |
| Medical Travel Fund | 51 | 51 | 31 | 20 | 10 | 10 | | | | |
| Mental Health Commission of Canada | 125 | 125 | | 125 | 8 | 12 | 15 | 15 | 15 | 60 |
| National Aboriginal Health Organization | 25 | 25 | 15 | 10 | 5 | 5 | | | | |
| Territorial Health Access Fund | 65 | 65 | 39 | 26 | 13 | 13 | | | | |
| Public Health Agency of Canada | | | | | | | | | | |
| Contributions | | | | | | | | | | |
| ID Biomedical Corp. | | | | | | | | | | |
| Pandemic Influenza Virus Vaccine | 69 | 69 | 33 | 36 | 26 | 5 | 5 | | | |
| Hepatitis C | | | | | | | | | | |
| Government of Alberta | 31 | 31 | 21 | 10 | | 5 | | | | 5 |
| Government of British Columbia | 66 | 66 | 44 | 22 | | 11 | | | | 11 |
| Government of Ontario | 132 | 132 | 88 | 44 | | 22 | | | | 22 |
| Government of Quebec | 45 | 45 | 29 | 16 | | 8 | | | | 8 |
| Human Resources and Skills Development | | | | | | | | | | |
| Canada Mortgage and Housing Corporation (Government account) | | | | | | | | | | |
| Social Housing Program | 59,849[1] | 59,849 | 33,324 | 26,525[1] | 1,776 | 1,725 | 1,698 | 1,687 | 1,668 | 17,971 |
| Indian Affairs and Northern Development | | | | | | | | | | |
| Agreements | | | | | | | | | | |
| Canada First Nations Funding | 2,784 | 2,784 | 1,541 | 1,243 | 478 | 421 | 171 | 92 | 81 | |

**TABLE 11.3**

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Continued*

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subse-quently |
| Comprehensive Funding Arrangement | 471 | 471 | 156 | 315 | 289 | 23 | 2 | 1 | | |
| Comprehensive Land Claims | 1,502 | 1,502 | 865 | 637 | 137 | 97 | 83 | 86 | 84 | 150 |
| Contribution Agreements | 114 | 114 | 90 | 24 | 7 | 6 | 6 | 5 | | |
| DIAND/First Nations Funding | 1,250 | 1,250 | 674 | 576 | 235 | 179 | 98 | 43 | 21 | |
| Financial Transfer | 748 | 748 | 388 | 360 | 145 | 143 | 64 | 8 | | |
| Indian and Inuit Affairs Program | 545 | 545 | 375 | 170 | 66 | 64 | 40 | | | |
| Industry— | | | | | | | | | | |
| Department— | | | | | | | | | | |
| Bell Helicopter Textron Canada Ltd. | | | | | | | | | | |
| Modular affordable product line | 115 | 115 | 51 | 64 | 6 | 12 | 8 | 9 | 6 | 23 |
| CAE Inc. | | | | | | | | | | |
| Simulation technologies | 189 | 189 | 107 | 82 | 39 | 32 | 11 | | | |
| Canada Foundation for Innovation | | | | | | | | | | |
| Modernize research infrastructure | 590 | 590 | 27 | 563 | 78 | 128 | 153 | 102 | 102 | |
| Canadian Institute for Advanced Research | 25 | 25 | 5 | 20 | 5 | 5 | 5 | 5 | | |
| Canarie Inc. | | | | | | | | | | |
| Canada's Advanced Research Network | 120 | 120 | 39 | 81 | 20 | 20 | 20 | 21 | | |
| Cascade Data Services Inc. | 77 | 77 | 42 | 35 | 35 | | | | | |
| Duping Canada Inc. | 19 | 19 | 9 | 10 | 10 | | | | | |
| Ford Motor Company of Canada Ltd. | | | | | | | | | | |
| Flexible manufacturing and production | 100 | 100 | 80 | 20 | 20 | | | | | |
| General Motors of Canada Ltd. | | | | | | | | | | |
| Beacon Project | 200 | 200 | 167 | 33 | 22 | 11 | | | | |
| Génome Canada | 240 | 240 | 7 | 233 | 29 | 64 | 47 | 47 | 46 | |
| ID Biomedical Corp. | | | | | | | | | | |
| Recombinant protein vaccines | 80 | 80 | 24 | 56 | 56 | | | | | |
| International Telecommunication Union | 27 | 27 | 6 | 21 | 7 | 7 | 7 | | | |
| Messier-Dowty Inc. | | | | | | | | | | |
| Landing Gear Systems | 28 | 28 | 7 | 21 | 7 | 7 | 7 | | | |
| Ontario Superbuild Corporation | 100 | 100 | 90 | 10 | 10 | | | | | |
| Perimeters Institute for Theoretical Physics | 50 | 50 | 11 | 39 | 10 | 10 | 10 | 9 | | |
| Pratt & Whitney Canada Corp. | | | | | | | | | | |
| Engine Technology | 350 | 350 | 171 | 179 | 68 | 69 | 28 | 14 | | |
| Rio Tinto Alcan Inc. | | | | | | | | | | |
| Spent pot lining treatment process | 19 | 19 | 9 | 10 | 5 | 3 | 2 | | | |
| Rolls-Royce Canada Ltd. | | | | | | | | | | |
| Industrial gas turbines | 30 | 30 | 19 | 11 | 10 | 1 | | | | |
| Sanofi Pasteur Ltd. | | | | | | | | | | |
| Cancer Vaccines | 60 | 60 | 48 | 12 | 12 | | | | | |
| Thunder Bay Regional Health Science Centre | | | | | | | | | | |
| Creation of a molecular medicine research centre | 15 | 15 | 1 | 14 | 5 | 3 | 3 | 3 | | |
| Voisey's Bay Nickel Co. Ltd. | | | | | | | | | | |
| Hydrometallurgical process for Nickel Sulphides | 60 | 60 | 48 | 12 | 11 | 1 | | | | |
| Canadian Space Agency— | | | | | | | | | | |
| Earth Observation, Exploration and Telecommunications Programs | 200 | 137 | 50 | 87 | 19 | 19 | 20 | 13 | 7 | 9 |
| European Space Agency | 217 | 217 | 189 | 28 | 15 | 10 | 2 | | | 1 |
| National Research Council of Canada | | | | | | | | | | |
| Canada-France-Hawaii Telescope Corp. | | | | | | | | | | |
| Research and observation | 111 | 111 | 90 | 21 | 4 | 4 | 4 | 4 | 4 | 1 |
| Gemini Twin Telescope Project | | | | | | | | | | |
| Research and observation | 100 | 100 | 78 | 22 | 5 | 5 | 5 | 5 | 2 | |
| Tri University Mezzon Facility | 566 | 566 | 478 | 88 | 44 | 44 | | | | |

**TABLE 11.3**

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Continued*

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequently |
| Justice— | | | | | | | | | | |
| Criminal legal aid services and systems | | | | | | | | | | |
| Government of Alberta | 22 | 22 | 11 | 11 | 11 | | | | | |
| Government of British Columbia | 29 | 29 | 14 | 15 | 15 | | | | | |
| Government of Ontario | 100 | 100 | 50 | 50 | 50 | | | | | |
| Government of Quebec | 53 | 53 | 26 | 27 | 27 | | | | | |
| Care and Services provided to young persons dealt with under the *Young Offenders Act* | | | | | | | | | | |
| Government of Alberta | 85 | 85 | 34 | 51 | 17 | 17 | 17 | | | |
| Government of British Columbia | 111 | 111 | 44 | 67 | 23 | 22 | 22 | | | |
| Government of Manitoba | 32 | 32 | 13 | 19 | 7 | 6 | 6 | | | |
| Government of New Brunswick | 24 | 24 | 10 | 14 | 5 | 5 | 4 | | | |
| Government of Newfoundland | 25 | 25 | 10 | 15 | 5 | 5 | 5 | | | |
| Government of Nova Scotia | 31 | 31 | 12 | 19 | 7 | 6 | 6 | | | |
| Government of Ontario | 319 | 319 | 128 | 191 | 64 | 64 | 63 | | | |
| Government of Quebec | 183 | 183 | 73 | 110 | 37 | 37 | 36 | | | |
| Government of Saskatchewan | 37 | 37 | 15 | 22 | 8 | 7 | 7 | | | |
| Ontario Ministry of Attorney General Provide a procedure for the prosecution of contraventions in the criminal code | 14 | 14 | | 14 | 3 | 3 | 3 | 3 | 2 | |
| Natural Resources— | | | | | | | | | | |
| Brilliant Expansion Power Corporation | 47 | 47 | 3 | 44 | 5 | 5 | 5 | 4 | 4 | 21 |
| Brookfield Power Wind Services Inc. | 53 | 53 | 5 | 48 | 5 | 5 | 5 | 5 | 6 | 22 |
| Canada Foundation for Sustainable Development Technology Funding for investment with the private sector to establish large scale demonstration facilities for the production of the next-generation biofuels and co-products | 250 | 250 | 2 | 248 | 34 | 45 | 45 | 40 | 34 | 50 |
| Canadian Hydro Developers | 20 | 20 | 4 | 16 | 2 | 2 | 2 | 2 | 2 | 6 |
| Cartier Énergie Éolienne Inc. (1 of 2) | 30 | 30 | 1 | 29 | 3 | 3 | 3 | 3 | 3 | 14 |
| Cartier Énergie Éolienne Inc. (2 of 2) | 31 | 31 | 3 | 28 | 3 | 3 | 3 | 3 | 3 | 13 |
| Énergie Éolienne du Mont Copper Inc. | 17 | 17 | 4 | 13 | 2 | 2 | 2 | 2 | 1 | 4 |
| Énergie Éolienne du Mont Miller Société en Commandite | 20 | 20 | 5 | 15 | 2 | 2 | 2 | 2 | 2 | 5 |
| ENMAX Green Power Inc. | 24 | 24 | 2 | 22 | 3 | 2 | 2 | 2 | 2 | 11 |
| Erie Shores Wind Farm LP | 26 | 26 | 5 | 21 | 3 | 3 | 3 | 2 | 2 | 8 |
| GW Power Corporation | 25 | 25 | 4 | 21 | 3 | 3 | 2 | 2 | 2 | 9 |
| Government of Saskatchewan Gunnar & Lorado agreement | 12 | 12 | 1 | 11 | | 2 | 2 | 1 | 1 | 5 |
| Harrison Hydro LP | 35 | 35 | | 35 | | | 2 | 4 | 4 | 25 |
| Kettles Hill Wind Energy Inc. | 17 | 17 | 1 | 16 | 2 | 2 | 2 | 2 | 1 | 7 |
| Kruger Energy Port Alma LP | 31 | 31 | | 31 | 2 | 3 | 3 | 3 | 3 | 17 |
| Magpie Limited Partnership | 18 | 18 | 1 | 17 | 2 | 2 | 2 | 2 | 1 | 8 |
| Saskatchewan Power International | 54 | 54 | 11 | 43 | 6 | 6 | 5 | 5 | 5 | 16 |
| Suncor Energy Products Inc. | 22 | 22 | 1 | 21 | 2 | 2 | 2 | 2 | 3 | 10 |
| St. Leon Wind Energy | 30 | 30 | 7 | 23 | 3 | 3 | 3 | 3 | 3 | 8 |
| TransAlta Energy Corp. (1 of 2) | 34 | 34 | 14 | 20 | 4 | 4 | 3 | 3 | 3 | 3 |
| TransAlta Energy Corp. (2 of 2) | 25 | 25 | 8 | 17 | 3 | 3 | 2 | 2 | 2 | 5 |
| Transport— | | | | | | | | | | |
| Department | | | | | | | | | | |
| Agreement with PMG Technologies | 23 | 23 | 5 | 18 | 4 | 4 | 4 | 4 | 2 | |
| Airport Capital Assistance Program | 377 | 377 | 324 | 53 | 47 | 5 | 1 | | | |
| Asia-Pacific Gateway | 110 | 110 | 49 | 61 | 44 | 14 | 3 | | | |
| Northumberland Ferries Ltd. | 51 | 51 | 41 | 10 | 5 | 5 | | | | |
| BC Ferries | 475 | 475 | 237 | 238 | 26 | 26 | 26 | 26 | 26 | 108 |

**TABLE 11.3**
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Continued*
(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subse-quently |
| Hamel Construction Inc., Matane, QC | | | | | | | | | | |
| Rebuilding the breakwater | 10 | 10 | | 10 | 6 | 4 | | | | |
| Passenger Rail and Urban Transit Security Contribution Program | | | | | | | | | | |
| Société de Transport de Montréal | 16 | 16 | | 16 | 16 | | | | | |
| Translink | 16 | 16 | 3 | 13 | 13 | | | | | |
| Government of Quebec | | | | | | | | | | |
| Outaouais Road Agreement | 106 | 106 | 79 | 27 | 11 | 3 | 3 | 3 | 3 | 4 |
| Tshiuetin Rail Transportation Inc. | 45 | 45 | 32 | 13 | 9 | 4 | | | | |
| Office of Infrastructure of Canada | | | | | | | | | | |
| Alberta Ministry of Infrastructure and Alberta Ministry of Transportation | | | | | | | | | | |
| Royal Alberta Museum | 30 | 30 | 4 | 26 | 8 | 18 | | | | |
| Ass. of Municipalities of Ontario, city of Toronto, local services boards and local roads boards and the Government of Ontario | | | | | | | | | | |
| Gas Tax Fund | 1,866 | 1,866 | 747 | 1,119 | 373 | 746 | | | | |
| Canada Line Rapid Transit Inc. | | | | | | | | | | |
| Contribution to build a rapid transit line to connect central Richmond, Vancouver International Airport and Downtown Vancouver | 450 | 450 | 410 | 40 | 20 | 20 | | | | |
| City of Brampton | | | | | | | | | | |
| Contribution to support the implementation of the Brampton AccelerideBus Rapid Transit (BRT) project | 53 | 53 | | 53 | 2 | 6 | 21 | 14 | 10 | |
| City of Mississauga and Greater Toronto Transit Authority | | | | | | | | | | |
| Contribution for the implementation of an east-west bus rapid transit corridor | 83 | 83 | | 83 | 6 | 27 | 35 | 15 | | |
| City of Toronto and the Toronto Transit Commission | | | | | | | | | | |
| Contribution towards the modernization and expansion of bus, streetcar and subway services | 303 | 303 | 113 | 190 | 109 | 44 | 23 | 14 | | |
| City of Winnipeg | | | | | | | | | | |
| Improvement of wastewater treatment facilities | 42 | 42 | 4 | 38 | 5 | 8 | 10 | 7 | 8 | |
| Government of Alberta | | | | | | | | | | |
| Gas Tax Fund | 477 | 477 | 191 | 286 | 95 | 191 | | | | |
| Municipal Rural Infrastructure Fund | 107 | 107 | 7 | 100 | 57 | 42 | 1 | | | |
| Government of British Columbia | | | | | | | | | | |
| Municipal Rural Infrastructure Fund | 75 | 75 | 1 | 74 | 48 | 26 | | | | |
| Government of Manitoba | | | | | | | | | | |
| Expansion of Manitoba Red River Floodway | 162 | 162 | 105 | 57 | 52 | 5 | | | | |
| Municipal Rural Infrastructure Fund | 49 | 49 | 18 | 31 | 19 | 12 | | | | |
| Gas Tax Fund | 167 | 167 | 67 | 100 | 33 | 67 | | | | |
| Government of New Brunswick | | | | | | | | | | |
| Gas Tax Fund | 116 | 116 | 28 | 88 | 42 | 46 | | | | |
| Road Infrastructure improvements | 107 | 107 | 1 | 106 | 20 | 28 | 31 | 27 | | |
| Municipal Rural Infrastructure Fund | 40 | 40 | 20 | 20 | 15 | 5 | | | | |
| Government of Newfoundland and Labrador | | | | | | | | | | |
| Municipal Rural Infrastructure Fund | 33 | 33 | 6 | 27 | 14 | 12 | 1 | | | |
| Gas Tax Fund | 83 | 83 | 33 | 50 | 17 | 33 | | | | |
| Government of Nova Scotia | | | | | | | | | | |
| Municipal Rural Infrastructure Fund | 44 | 44 | 14 | 30 | 19 | 9 | 2 | | | |

**TABLE 11.3**
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Continued*
(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequently |
| Gas Tax Fund | 145 | 145 | 58 | 87 | 29 | 58 | | | | |
| Road Infrastructure improvements | 15 | 15 | | 15 | 4 | 6 | 5 | | | |
| Road Infrastructure improvements | 31 | 31 | 13 | 18 | 12 | 6 | | | | |
| Government of Nunavut | | | | | | | | | | |
| Contribution for up to nine water and wastewater improvement projects | 20 | 20 | 5 | 15 | 15 | | | | | |
| Municipal Rural Infrastructure Fund | 19 | 19 | 1 | 18 | 10 | 8 | | | | |
| Gas Tax Fund | 38 | 38 | 15 | 23 | 8 | 15 | | | | |
| Government of Ontario | | | | | | | | | | |
| Road Infrastructure improvements leading to border crossings in Windsor | 66 | 66 | | 66 | 38 | 11 | 7 | 10 | | |
| Road Infrastructure improvements leading to border crossings in Sarnia and Queenston | 133 | 133 | 94 | 39 | 17 | 22 | | | | |
| Municipal Rural Infrastructure Fund | 362 | 362 | 122 | 240 | 176 | 64 | | | | |
| Government of Prince Edward Island | | | | | | | | | | |
| Municipal Rural Infrastructure Fund | 22 | 22 | 9 | 13 | 8 | 5 | | | | |
| Gas Tax Fund | 38 | 38 | 15 | 23 | 8 | 15 | | | | |
| Government of Quebec | | | | | | | | | | |
| Border Infrastructure Fund | 72 | 72 | 1 | 71 | 22 | 30 | 12 | 7 | | |
| Canada Strategic Infrastructure Fund | 222 | 222 | 22 | 200 | 100 | 46 | 54 | | | |
| Completion of Highway 175, part 1 | 263 | 263 | 117 | 146 | 63 | 68 | 15 | | | |
| Gas Tax Fund | 1,151 | 1,151 | 461 | 690 | 230 | 460 | | | | |
| Improve rail infrastructure for ten railway short lines | 30 | 30 | | 30 | 12 | 6 | 7 | 5 | | |
| Municipal Rural Infrastructure Fund | 235 | 235 | 13 | 222 | 95 | 127 | | | | |
| Sanitary drainage of the Saint Charles River and denaturalization of the riverbanks | 37 | 37 | 26 | 11 | 9 | 2 | | | | |
| Government of Saskatchewan | | | | | | | | | | |
| Gas Tax Fund | 148 | 148 | 59 | 89 | 30 | 59 | | | | |
| Municipal Rural Infrastructure Fund | 45 | 45 | 22 | 23 | 13 | 10 | | | | |
| Government of the Northwest Territories | | | | | | | | | | |
| Municipal Rural Infrastructure Fund | 19 | 19 | | 19 | 19 | | | | | |
| Improve three highway corridors | 65 | 65 | 46 | 19 | 8 | 7 | 3 | 1 | | |
| Gas Tax Fund | 38 | 38 | 12 | 26 | 11 | 15 | | | | |
| Government of Yukon Territory | | | | | | | | | | |
| Gas Tax Fund | 38 | 38 | 12 | 26 | 11 | 15 | | | | |
| Municipal Rural Infrastructure Fund | 19 | 19 | 5 | 14 | 11 | 3 | | | | |
| Greater Toronto Transit Authority | | | | | | | | | | |
| Improve the GO Transit Rail and bus transit system in the Greater Toronto Area | 385 | 385 | 164 | 221 | 75 | 80 | 47 | 19 | | |
| Infrastructure Canada | 554 | 554 | 537 | 17 | 16 | 1 | | | | |
| Manitoba Foldaway Expansion Authority Inc. | 333 | 333 | 195 | 138 | 82 | 48 | 8 | | | |
| Station Mont-Tremblant Inc. | | | | | | | | | | |
| Development of two new four-season resort villages | 48 | 48 | 14 | 34 | 22 | 3 | 2 | 5 | 2 | |
| Toronto International Film Festival Inc. | | | | | | | | | | |
| Contribution towards the construction of a five-story podium building | 25 | 25 | 1 | 24 | 10 | 9 | 5 | | | |
| Union of British Columbia Municipalities and the Government of BC | | | | | | | | | | |
| Gas Tax Fund | 636 | 636 | 255 | 381 | 127 | 254 | | | | |

**TABLE 11.3**
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2008—*Continued*
(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequently |
| Vancouver Convention Center Expansion Project Ltd. | | | | | | | | | | |
| Construction of a facility and connector for the Vancouver Convention and Exhibition Center | 223 | 223 | 208 | 15 | 15 | | | | | |
| Winnipeg Regional Health Authority | 14 | 14 | 3 | 11 | 2 | 2 | 5 | 2 | | |
| *Subtotal* | *94,874* | *94,758* | *49,359* | *44,399* | *8,449* | *7,519* | *3,991* | *3,147* | *2,612* | *18,681* |
| Consolidated Crown Corporations and Other Entities | | | | | | | | | | |
| International Development Research Center | | | | | | | | | | |
| Grant for Projects | 193 | 193 | | 193 | 193 | | | | | |
| National Capital Commission | | | | | | | | | | |
| Ville de Gatineau | 16 | 16 | 6 | 10 | 10 | | | | | |
| Telefilm Canada | | | | | | | | | | |
| Financial assistance to producers and distributors | 37 | 37 | | 37 | 37 | | | | | |
| *Subtotal* | *246* | *246* | *6* | *240* | *240* | | | | | |
| **Total transfer payment agreements** | **94,070** | **94,004** | **49,365** | **44,639** | **8,689** | **7,519** | **3,991** | **3,147** | **2,612** | **18,681** |
| **Fixed assets and purchases—** | | | | | | | | | | |
| **Fixed assets—** | | | | | | | | | | |
| Environment | | | | | | | | | | |
| Parks Canada Agency | | | | | | | | | | |
| Banff National Park | | | | | | | | | | |
| Trans Canada highway twinning Project | 87 | 82 | 61 | 21 | 21 | | | | | |
| Gulf Islands National Park | | | | | | | | | | |
| Land acquisition, Developments and Operations | 31 | 31 | 21 | 10 | 3 | 3 | 2 | 2 | | |
| National Defence | | | | | | | | | | |
| Agusta Westland Int Ltd., UK | | | | | | | | | | |
| Canadian Search and Rescue Helicopter | 774 | 774 | 764 | 10 | 6 | 2 | 2 | | | |
| Armatec Survivability Corp., London, ON | | | | | | | | | | |
| Protection Kits for Armoured Vehicles | 19 | 19 | 6 | 13 | 13 | | | | | |
| BAE Systems Projects Canada Ltd. | | | | | | | | | | |
| Victoria Class, In Service Support | 444 | 440 | 411 | 29 | 25 | 4 | | | | |
| Bird Construction Company, Etobicoke, ON | | | | | | | | | | |
| 12 Wing Squadron | 34 | 34 | 11 | 23 | 19 | 4 | | | | |
| 12 Wing Squadron, Comm. Support | 34 | 34 | 21 | 13 | 12 | 1 | | | | |
| 423 Squadron | 31 | 31 | 8 | 23 | 19 | 4 | | | | |
| Bombardier Inc., Mirabel, QC | | | | | | | | | | |
| Adv. Distributed Combat Training System | 148 | 148 | 134 | 14 | 10 | 4 | | | | |
| Cubic Defence Applications Inc. | | | | | | | | | | |
| Sandiego, California, USA | | | | | | | | | | |
| Weapons Effect Simulator | 195 | 190 | 113 | 77 | 49 | 7 | 6 | 8 | 7 | |
| Daimler Chrysler Automotive Group | | | | | | | | | | |
| Weerth, Germany | | | | | | | | | | |
| Armoured Heavy Support Vehicle System | 131 | 119 | 70 | 49 | 49 | | | | | |
| DRS Technologies, Kanata, ON | | | | | | | | | | |
| Advanced Electro-Optic Sensor | 180 | 176 | 76 | 100 | 37 | 30 | 13 | 10 | 10 | |
| General Dynamics Land Systems Canada Corp. London, ON | | | | | | | | | | |
| Armoured Personnel Carrier Replacement | 1,679 | 1,679 | 1,571 | 58 | 8 | 6 | 6 | 1 | | 37 |
| Armoured Vehicle Remote Weapon System | 49 | 49 | 29 | 20 | 20 | | | | | |
| Data Management System | 374 | 330 | 223 | 107 | 49 | 25 | 20 | 13 | | |

**TABLE 11.3**
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Continued*
(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequently |
| IBM Systems Canada, Toronto, ON | | | | | | | | | | |
| Desktop Management Services | 19 | 19 | 7 | 12 | 7 | 5 | | | | |
| Information System (MASIS) | 245 | 245 | 169 | 76 | 25 | 38 | 18 | 13 | | |
| Lockheed Martin, USA | | | | | | | | | | |
| Purchases of 17 C130J Aircrafts | 1,441 | 1,441 | 160 | 1,281 | 453 | 242 | 341 | 199 | 45 | 1 |
| CF-18 Advanced Infrared Sensor | 147 | 125 | 31 | 94 | 43 | 51 | | | | |
| MacDonald Dettwiler and Associates Ltd. Richmond, BC | | | | | | | | | | |
| CP140 Aurora - Imaging Radar Acquisition | 580 | 506 | 153 | 53 | 25 | 20 | 8 | | | |
| Surveillance of Space Project | 66 | 66 | 6 | 60 | 13 | 23 | 11 | 13 | | |
| Microsoft, Toronto, ON | | | | | | | | | | |
| Maintenance of Leased Microsoft Products | 87 | 87 | 51 | 36 | 18 | 18 | | | | |
| M. Sullivan & Son, Amprior, ON | | | | | | | | | | |
| Design-Builder, CFB Petawawa | 12 | 12 | 1 | 11 | 10 | 1 | | | | |
| Sikorsky International Operations Inc Stratford, CT, USA | | | | | | | | | | |
| Acquisition of 28 maritime helicopters | 1,846 | 1,827 | 451 | 1,476 | 164 | 477 | 73 | 96 | 166 | 500 |
| In Service Support | 3,236 | 3,236 | 335 | 2,901 | 209 | 177 | 60 | 10 | 38 | 2,407 |
| Thales Systems Canada Inc., Ottawa, ON | | | | | | | | | | |
| CP140 Aurora - Comm. Mgmt. System | 98 | 98 | 81 | 17 | 9 | 8 | | | | |
| The Boeing Company, St-Louis, USA | | | | | | | | | | |
| CF-18 Modernization Project | 196 | 168 | 121 | 47 | 30 | 16 | 1 | | | |
| Strategic Airlift Capacity | 813 | 813 | 791 | 22 | 22 | | | | | |
| The State of Netherlands | | | | | | | | | | |
| Purchase of Leopard Tanks | 105 | 105 | 73 | 32 | 32 | | | | | |
| Victoria Shipyards Co. Ltd. | | | | | | | | | | |
| Ship building, ORCA Class | 92 | 92 | 78 | 14 | 11 | 3 | | | | |
| Public Safety and Emergency Preparedness | | | | | | | | | | |
| Royal Canadian Mounted Police | | | | | | | | | | |
| Almiq Numerol Ltd | 18 | 18 | 5 | 13 | 13 | | | | | |
| RCMP Fleet Vehicles | 57 | 57 | | 57 | 57 | | | | | |
| Public Works and Government Services | | | | | | | | | | |
| La Prairie Group Contractors (Alberta) Ltd. Alaska Highway, BC | 25 | 25 | 6 | 19 | 7 | 6 | 6 | | | |
| Skyline Campus Renovation | 114 | 64 | 53 | 11 | 11 | | | | | |
| Veterans Affairs | | | | | | | | | | |
| Ste. Anne's Hospital Modernization Project, Quebec | 188 | 100 | 74 | 26 | 19 | 7 | | | | |
| *Subtotal* | *13,196* | *12,849* | *6,033* | *6,895* | *2,868* | *1,263* | *587* | *866* | *269* | *2,749* |
| Consolidated Crown Corporations and Other Entities | | | | | | | | | | |
| Canadian Air Transport Security Authority | | | | | | | | | | |
| GE Invision Inc., EDS equipments | 78 | 78 | 50 | 78 | 14 | 14 | | | | |
| NAV Canada - Equipment Maintenance | 41 | 41 | 5 | 36 | 12 | 12 | 12 | | | |
| Canadian Museum of Nature | | | | | | | | | | |
| Renovations | 217 | 86 | | 86 | 86 | | | | | |
| Marine Atlantic Inc. | | | | | | | | | | |
| Mariner Engineering and Construction Ltd. | 13 | 13 | 2 | 11 | 11 | | | | | |
| VIA Rail Canada Inc. | | | | | | | | | | |
| CAD Railway Services Inc. | 151 | 101 | 1 | 100 | 9 | 19 | 23 | 28 | 21 | |
| *Subtotal* | *490* | *319* | *58* | *311* | *82* | *45* | *47* | *78* | *21* | |
| Total fixed assets | 13,586 | 13,111 | 6,095 | 7,016 | 2,760 | 1,208 | 663 | 995 | 264 | 2,749 |
| **Purchases** | | | | | | | | | | |
| Canada Revenue Agency | | | | | | | | | | |
| CGI Group Inc | | | | | | | | | | |
| Professional Services - Supply Chain | 175 | 190 | 164 | 26 | 26 | | | | | |

**TABLE 11.3**

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Continued*

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequently |
| IBM Canada Limited | | | | | | | | | | |
| Master Agreement - Mainframe | 23 | 23 | 11 | 12 | 12 | | | | | |
| Canadian Heritage | | | | | | | | | | |
| Cirque du Soleil | | | | | | | | | | |
| Community and Civic Life participation | 14 | 14 | 2 | 12 | 4 | 5 | 3 | | | |
| Health | | | | | | | | | | |
| Non-Insured Health Benefits Program | 199 | 199 | 147 | 52 | 31 | 21 | | | | |
| Express Scripts Inc. | 106 | 106 | | 106 | 2 | 5 | 19 | 19 | 19 | 42 |
| Human Resources and Social Development | | | | | | | | | | |
| Resolve Corporation | | | | | | | | | | |
| Private institutions that are party to an agreement with the Minister under the *Canada Student Financial Assistance Act* | 349 | 266 | 4 | 262 | 88 | 65 | 60 | 49 | | |
| Rogers Telecom Inc. | | | | | | | | | | |
| Telecommunication equipment and services | 92 | 92 | 76 | 16 | 16 | | | | | |
| Telus Communications Inc. | | | | | | | | | | |
| Managed Network Services | 33 | 33 | 21 | 12 | 12 | | | | | |
| Unisys Canada Inc. | | | | | | | | | | |
| Information equipment and services | 44 | 44 | 28 | 16 | 4 | 3 | 3 | 3 | 3 | |
| Industry | | | | | | | | | | |
| Canadian Space Agency | | | | | | | | | | |
| COM DEV International Ltd. | | | | | | | | | | |
| Scientific Activities for the Construction of a Space Telescope | 87 | 87 | 63 | 24 | 23 | 1 | | | | |
| National Research Council | | | | | | | | | | |
| EBSCO Canada Limited | | | | | | | | | | |
| Subscription, acquisition, delivery and management services | 40 | 40 | 17 | 23 | 5 | 5 | 13 | | | |
| Privy Council | | | | | | | | | | |
| Chief Electoral Officer | | | | | | | | | | |
| IBM Canada Ltd. | | | | | | | | | | |
| Supply of fully integrated and functional systems and related services for federal electoral events | 23 | 23 | 1 | 22 | 2 | 17 | 2 | 1 | | |
| National Defence | | | | | | | | | | |
| ADGA Group Consultants Inc., Ottawa, ON | | | | | | | | | | |
| Software Engineering Centre Support | 56 | 56 | 30 | 26 | 19 | 7 | | | | |
| Air Canada, Dorval, QC | | | | | | | | | | |
| CC150 Airbus Support | 229 | 229 | 187 | 42 | 31 | 11 | | | | |
| Allied Wings | | | | | | | | | | |
| Pilot Training, Manitoba | 1,705 | 1,695 | 132 | 1,563 | 67 | 70 | 71 | 72 | 70 | 1,213 |
| Bell Canada | | | | | | | | | | |
| DSEP | 299 | 226 | 199 | 27 | 27 | | | | | |
| Bergerac SRDC Inc., SNC Lavalin Inc. and Kinetra Projects Inc. | | | | | | | | | | |
| DEW Line Cleanup | 583 | 196 | 86 | 110 | 34 | 38 | 26 | 12 | | |
| Black and MacDonald Ltd. | | | | | | | | | | |
| General Infrastructure Maintenance | 13 | 13 | 3 | 10 | 4 | 3 | 3 | | | |
| Bombardier Inc. | | | | | | | | | | |
| Jet Flying Pilot Training | 2,536 | 1,838 | 712 | 1,126 | 99 | 101 | 92 | 83 | 85 | 666 |
| Calian, Ottawa, ON | | | | | | | | | | |
| Mgmt. of Health Care Providers to CF | 449 | 449 | 173 | 276 | 60 | 60 | 156 | | | |
| Canadian Base Operators | | | | | | | | | | |
| Mcalpine NMD | 117 | 117 | 23 | 94 | 12 | 12 | 12 | 12 | 12 | 34 |
| Cascade Aerospace Inc., Abbotsford, BC | | | | | | | | | | |
| Repair & Overhaul for Hercules Aircraft | 423 | 423 | 96 | 327 | 109 | 109 | 109 | | | |

**TABLE 11.3**
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Continued*
(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subse-quently |
| CitiCapital and Direct Energy Energy Performance Contract | 22 | 22 | 11 | 11 | 3 | 3 | 3 | 2 | | |
| Colt Canada, Kitchener, ON Rifles upgrade to C7A2 configuration | 26 | 26 | 9 | 17 | 2 | 2 | 2 | 2 | 2 | 7 |
| Communication (MAS) Canada Mirabel, QC CF18 Aircraft, Engineering Support | 431 | 431 | 380 | 51 | 51 | | | | | |
| Communications Electronic Systems Enfield, NS Optimized Weapon System Support | 395 | 395 | 46 | 349 | 25 | 27 | 26 | 35 | 36 | 200 |
| DEW Engineering, Ottawa, ON Upgrade to the wheeled Armoured Vehicule | 23 | 15 | 4 | 11 | 6 | 5 | | | | |
| Fellfab Limited, Hamilton, ON Soldier Clothing | 22 | 22 | 7 | 15 | 15 | | | | | |
| Fleetway Inc., Halifax, NS In Service Support for Iroquois and Halifax Class Vessels | 215 | 57 | 11 | 46 | 9 | 9 | 9 | 9 | 10 | |
| General Dynamics Ordnance and Tactical Systems Canada Inc., Le Gardeur, QC | | | | | | | | | | |
| Training Ammunition 25mm | 21 | 21 | 9 | 12 | 12 | | | | | |
| Training Ammunition Small Calibre | 18 | 18 | 4 | 14 | 14 | | | | | |
| Rocket 84mm | 16 | 16 | 1 | 15 | 15 | | | | | |
| General Electric, Mississauga, ON Gas Turbine Engine | 46 | 46 | 31 | 15 | 4 | 4 | 4 | 3 | | |
| Harris Aerospace, Calgary, AB CF18 Aircraft Support | 206 | 206 | 171 | 35 | 23 | 12 | | | | |
| IBM Canada Ltd. Operate Defence Software Baseline | 23 | 23 | 7 | 16 | 16 | | | | | |
| IMP Group Ltd., NS | | | | | | | | | | |
| Third line support, Sea King Helicopter | 162 | 162 | 130 | 32 | 32 | | | | | |
| Optimized Weapon System Support | 566 | 566 | 94 | 472 | 47 | 48 | 47 | 48 | 50 | 232 |
| In Service Support for Helicopters | 818 | 818 | 236 | 582 | 72 | 73 | 85 | 85 | 85 | 182 |
| Induspac Packaging Group Inc. Lachine, QC Packaging Materials | 38 | 38 | 21 | 17 | 8 | 9 | | | | |
| Lockheed Martin Canada Inc. Kanata, ON | | | | | | | | | | |
| Electronic Countermeasures | 15 | 15 | | 15 | 2 | 2 | 1 | 1 | 1 | 8 |
| Combat System and Engineering Support | 168 | 168 | 128 | 40 | 20 | 20 | | | | |
| Lockheed Martin Corporation Manassa, US HMCS Victoria, In Service Support for the Fire Control System | 28 | 15 | 1 | 14 | 3 | 3 | 3 | 3 | 2 | |
| Microsoft Corporation Assurance Licenses | 167 | 60 | 21 | 39 | 22 | 17 | | | | |
| Nasittuq Corporation, Ottawa, ON North Warning System Ops. and Maint. | 500 | 438 | 342 | 96 | 63 | 33 | | | | |
| NATO Maintenance and Supply Agency Support of Canadian Forces Operations in Afghanistan | 110 | 90 | 32 | 58 | 21 | 37 | | | | |
| Orenda Aerospace Corporation Mississauga, ON CF18 Aircraft, Repair and Overhaul | 25 | 25 | 15 | 10 | 10 | | | | | |
| Raytheon Canada Ltd. SP49 Radar | 24 | 24 | 2 | 22 | 3 | 3 | 3 | 3 | 3 | 7 |
| Repair & Overhaul, CIWS Gun | 91 | 91 | 45 | 46 | 14 | 10 | 13 | 9 | | |
| Rheinmetall Canada Inc. Repair & Overhaul, Unmanned Vehicle | 105 | 105 | 57 | 48 | 48 | | | | | |

**TABLE 11.3**
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2008—*Continued*
(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequently |
| SAAB, Halifax, NS | | | | | | | | | | |
| Seagiraffe Radar | 49 | 43 | 1 | 42 | 6 | 6 | 6 | 6 | 6 | 12 |
| Santé Montfort, NCR, ON | | | | | | | | | | |
| Health Care Facility for CF | 175 | 175 | 2 | 173 | 10 | 10 | 10 | 10 | 10 | 123 |
| SERCO Facilities Management Inc. | | | | | | | | | | |
| ASD, Goose Bay | 556 | 556 | 176 | 380 | 37 | 37 | 37 | 37 | 37 | 195 |
| SNC Lavalin Defence Programs Inc. | | | | | | | | | | |
| Service Support for Auxiliary Vessels and Minor Warship | 290 | 257 | 158 | 99 | 47 | 52 | | | | |
| SNC Lavalin PAE | | | | | | | | | | |
| Support of Canadian Forces Operations in Afghanistan | 58 | 58 | 27 | 31 | 31 | | | | | |
| Standard AERO Ltd., Winnipeg, MB | | | | | | | | | | |
| Hercules an Aurora Aircrafts Engine Support | 304 | 118 | 81 | 37 | 19 | 18 | | | | |
| Strachan and Henshaw Canada Inc. | | | | | | | | | | |
| Ottawa, ON | | | | | | | | | | |
| Work and materials on two submarines | 105 | 90 | 9 | 81 | 76 | 5 | | | | |
| Telus Communications Inc., Vancouver, BC | | | | | | | | | | |
| GDNS (1 of 2) | 438 | 214 | | 214 | 102 | 34 | 38 | 40 | | |
| GDNS (2 of 2) | 252 | 252 | | 252 | 92 | 34 | 38 | 42 | 46 | |
| Thales | | | | | | | | | | |
| Crew Vision Enhancement | 20 | 20 | 1 | 19 | 19 | | | | | |
| Periscope and AXP masts | 44 | 32 | | 32 | 13 | 19 | | | | |
| Fire Control Radars | 67 | 61 | | 61 | 8 | 9 | 9 | 9 | 10 | 16 |
| Victoria Shipyards Company Ltd., BC | | | | | | | | | | |
| HMCS Algonquin Refit | 32 | 22 | 2 | 20 | 20 | | | | | |
| Weir Canada Inc., Lasalle, QC | | | | | | | | | | |
| Maritime Systems and Engineering | 178 | 178 | 155 | 23 | 23 | | | | | |
| Repair & Overhaul, Pump Assemblies | 15 | 15 | 5 | 10 | 3 | 3 | 3 | 1 | | |
| Public Safety and Emergency Preparedness | | | | | | | | | | |
| Canada Border Services Agency | | | | | | | | | | |
| Rideau Construction Inc. | | | | | | | | | | |
| Construction of a new border facility | 18 | 18 | 4 | 14 | 14 | | | | | |
| Correctional Service | | | | | | | | | | |
| ENMAX Corporation | | | | | | | | | | |
| Electrical services | 15 | 15 | 2 | 13 | 1 | 1 | 1 | 1 | 1 | 8 |
| NAV Canada | | | | | | | | | | |
| Management Training, Accommodation, and Food Services | 23 | 23 | 13 | 10 | 4 | 3 | 3 | | | |
| Royal Canadian Mounted Police | | | | | | | | | | |
| CGI Group Inc. | | | | | | | | | | |
| Systems maintenance & support of CPIC | 137 | 137 | 105 | 32 | 14 | 9 | 9 | | | |
| Public Works and Government Services | | | | | | | | | | |
| CGI Group Inc. and Management Consultants Inc. | | | | | | | | | | |
| 275 Slater St., 14th Floor, Ottawa, ON | 87 | 87 | 4 | 83 | 35 | 35 | 13 | | | |
| EDS Canada Inc. | | | | | | | | | | |
| 99 Bank Street, 6th Floor, Ottawa, ON | 43 | 12 | 2 | 10 | 10 | | | | | |
| First Data/Paymentech Canada Partner Inc. and Dearborn Merchant Services Inc. | | | | | | | | | | |
| 2075 Kennedy Rd., Suite 200, Toronto, ON | 118 | 44 | 1 | 43 | 9 | 9 | 9 | 9 | 7 | |
| Oracle Corporation Canada Inc. | | | | | | | | | | |
| 110 Matheson Blvd., Mississauga, ON | 70 | 70 | 49 | 21 | 5 | 6 | 5 | 5 | | |
| Otis Canada Inc. | | | | | | | | | | |
| 2480 Lancaster Rd., Ottawa, ON | 14 | 14 | 2 | 12 | 1 | | 1 | | 1 | 9 |
| SNC Lavalin ProFac Inc. | | | | | | | | | | |
| Building Maintenance Services | 2,894 | 1,891 | 1,132 | 759 | 487 | 272 | | | | |

**TABLE 11.3**
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Continued*
(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequently |
| *Subtotal* | *18,028* | *14,674* | *5,971* | *8,753* | *2,333* | *1,415* | *947* | *631* | *496* | *2,954* |
| Consolidated Crown Corporations and Other Entities | | | | | | | | | | |
| Canadian Broadcasting Corporation | | | | | | | | | | |
| Programming Rights | 117 | 117 | | 117 | 21 | 31 | 31 | 24 | 10 | |
| Sports Rights | 1,093 | 1,093 | 437 | 656 | 159 | 89 | 96 | 99 | 102 | 111 |
| Canadian Air Transport Security Authority | | | | | | | | | | |
| Screening services | 615 | 615 | 383 | 232 | 220 | 12 | | | | |
| Canadian Commercial Corporation | | | | | | | | | | |
| Contracts with Foreign Customers | 1,594 | 1,594 | | 1,594 | 954 | 330 | 174 | 65 | 60 | 21 |
| National Capital Commission | | | | | | | | | | |
| Land management and maintenance | 84 | 84 | 25 | 59 | 14 | 12 | 12 | 9 | 1 | 11 |
| National Gallery of Canada | | | | | | | | | | |
| Securitas Security Services | 25 | 25 | 1 | 22 | 3 | 3 | 3 | 3 | 3 | 7 |
| *Subtotal* | *3,528* | *3,528* | *846* | *2,680* | *1,341* | *517* | *316* | *200* | *176* | *150* |
| Total purchases | 21,556 | 18,202 | 6,769 | 11,433 | 3,674 | 1,929 | 1,263 | 831 | 672 | 3,104 |
| **Total fixed assets and purchases** | **35,142** | **31,313** | **12,864** | **18,449** | **5,454** | **3,137** | **1,867** | **1,286** | **936** | **5,049** |
| **Operating leases—** | | | | | | | | | | |
| Environment | | | | | | | | | | |
| Capilano Indian Reserve No. 5 of Vancouver, BC | | | | | | | | | | |
| Lease of Land | 385 | 385 | 116 | 269 | 8 | 8 | 8 | 8 | 8 | 229 |
| IBM Canada Ltd. | | | | | | | | | | |
| Rental and maintenance of super computer system | 65 | 65 | 34 | 31 | 6 | 6 | 6 | 7 | | |
| Fisheries and Oceans | | | | | | | | | | |
| Provincial Airlines Ltd. | | | | | | | | | | |
| Aerial Monitoring Program | 81 | 72 | 51 | 21 | 15 | 6 | | | | |
| Foreign Affairs and International Trade | | | | | | | | | | |
| 175564 Canada Inc. | | | | | | | | | | |
| Office space, Gatineau, QC | 19 | 19 | | 19 | 2 | 2 | 2 | 2 | 2 | 9 |
| Administration of Production and Commerce | | | | | | | | | | |
| Office space, Moscow | 195 | 195 | | 195 | 8 | 7 | 7 | 7 | 7 | 164 |
| Mitsui Fudosan, New York | 42 | 42 | 29 | 13 | 1 | 1 | 1 | 1 | 1 | |
| SIP North Stetson Venture LLC, Chicago | 11 | 11 | 1 | 10 | 1 | 1 | 1 | 1 | 1 | 5 |
| Tower Plaza Associates, New York | 33 | 33 | 16 | 17 | 1 | 1 | 2 | 2 | 2 | 9 |
| Public Safety and Emergency Preparedness | | | | | | | | | | |
| Royal Canadian Mounted Police | | | | | | | | | | |
| Vancouver 2010 Olympics Accommodations lease | 85 | 32 | | 32 | | 32 | | | | |
| Public Works and Government Services | | | | | | | | | | |
| 155 Queen (Canada IV) Holdings Limited | | | | | | | | | | |
| Heritage Place, Ottawa, Ontario | | | | | | | | | | |
| 155 Queen Street (Contract 1 of 2) | 52 | 80 | 1 | 79 | 3 | 3 | 3 | 3 | 3 | 14 |
| 155 Queen Street (Contract 2 of 2) | 15 | 14 | 1 | 13 | 2 | 1 | 2 | 1 | 1 | 6 |
| 160 Elgin Portfolio Inc. and 160 Elgin Leasehold Inc. | | | | | | | | | | |
| Place Bell Canada | | | | | | | | | | |
| 160 Elgin Street, Ottawa, Ontario | 60 | 54 | 4 | 50 | 6 | 5 | 6 | 5 | 5 | 23 |
| 171 Slater Street Limited | | | | | | | | | | |
| Vanguard Building | 13 | 12 | 2 | 10 | 2 | 1 | 2 | 1 | 2 | 2 |
| 233640 Realty Limited and Metcalfe Realty Company Limited | | | | | | | | | | |
| MacDonald Building | 14 | 14 | 4 | 10 | 2 | 3 | 3 | 2 | | |

**TABLE 11.3**

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Continued*

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequently |
| 325843 BC Ltd. and 528447 BC Ltd. | | | | | | | | | | |
| 1166 West Pender Street, Vancouver, BC | 30 | 30 | 17 | 13 | 5 | 4 | 4 | | | |
| 3352200 Canada Inc. | | | | | | | | | | |
| Robson Court Building, Vancouver, BC | 35 | 35 | 11 | 24 | 3 | 4 | 3 | 4 | 4 | 6 |
| 444 Seventh Inc. | | | | | | | | | | |
| Barclay Centre, Calgary, AB | 55 | 54 | 35 | 19 | 4 | 3 | 4 | 4 | 3 | 1 |
| 74 Victoria St/137 Yonge St. Holdings Ltd. | | | | | | | | | | |
| 74 Victoria Street, Toronto, ON | 51 | 50 | 40 | 10 | 5 | 5 | | | | |
| Bona Building & Management Company Ltd. | | | | | | | | | | |
| Place Vanier, Towers A & B, Ottawa, ON | 86 | 70 | 48 | 22 | 7 | 7 | 7 | 1 | 3 | (3) |
| Vanier Building, Ottawa, ON | 48 | 41 | 3 | 38 | 4 | 5 | 4 | 4 | 4 | 17 |
| Briq Nominee Inc. | | | | | | | | | | |
| Pinecrest Office Park, Ottawa, ON | 13 | 12 | | 12 | 2 | 3 | 2 | 3 | 2 | |
| Canada Property (Trustee) No. 1 Limited | | | | | | | | | | |
| Holland Cross Building, Ottawa, ON | 16 | 15 | 2 | 13 | 2 | 1 | 2 | 2 | 1 | 5 |
| Capital City Shopping Center Ltd. | | | | | | | | | | |
| Place Billings Bridge, Ottawa, ON | 44 | 41 | 25 | 16 | 4 | 4 | 4 | 4 | | |
| Dundeal Canada Limited Partnership | | | | | | | | | | |
| Airport Corporate Centre, Calgary, AB | 18 | 18 | 2 | 16 | 2 | 2 | 2 | 2 | 2 | 6 |
| Exchange Tower Ltd., HRI Exchange Inc. and PFS Exchange Inc. | | | | | | | | | | |
| Exchange Tower, Toronto, ON | 57 | 57 | 22 | 35 | 8 | 8 | 8 | 8 | 3 | |
| Fonds de placement immobilier Cominar | | | | | | | | | | |
| 3400 Jean-Béraud Avenue, Laval, QC | 39 | 39 | 22 | 17 | 4 | 4 | 3 | 3 | 3 | |
| Gladwin GP Inc. | | | | | | | | | | |
| 2215 Gladwin Crescent, Ottawa, ON | 26 | 25 | | 25 | 2 | 3 | 4 | 3 | 4 | 9 |
| Great West Life Assurance Company | | | | | | | | | | |
| 255 Albert Building, Ottawa, ON | 27 | 24 | 9 | 15 | 3 | 2 | 3 | 2 | 3 | 2 |
| Morguard Investment Limited in Trust for Hoop Realty Inc. and Morguard REIT | | | | | | | | | | |
| Standard Life Centre, Ottawa, ON | | | | | | | | | | |
| Contract 1 of 2 | 52 | 46 | 21 | 25 | 5 | 4 | 5 | 4 | 5 | 2 |
| Contract 2 of 2 | 35 | 34 | 16 | 18 | 5 | 5 | 5 | 3 | | |
| Omers Realty Corporation | | | | | | | | | | |
| Constitution Square, Ottawa, ON | | | | | | | | | | |
| Contract 1 of 3 | 27 | 26 | 14 | 12 | 3 | 3 | 4 | 2 | | |
| Contract 2 of 3 | 47 | 40 | 25 | 15 | 4 | 4 | 4 | 3 | | |
| Contract 3 of 3 | 15 | 12 | 1 | 11 | 2 | 1 | 1 | 1 | 1 | 5 |
| Orlando Corporation | | | | | | | | | | |
| 5800 Hurontario St., Mississauga, ON | 49 | 49 | 36 | 13 | 5 | 5 | 3 | | | |
| Oxford Management Services Inc. | | | | | | | | | | |
| 1138 Melville St., Vancouver, BC | 44 | 44 | 32 | 12 | 5 | 4 | 3 | | | |
| Oxford Properties Group Inc. and 735832 Alberta Limited | | | | | | | | | | |
| 800 Burrard Street, Vancouver, BC | 64 | 64 | 30 | 34 | 6 | 7 | 6 | 7 | 6 | 2 |
| Pensionfund Realty Limited | | | | | | | | | | |
| 277 Front Street West, Toronto, ON | 37 | 36 | 12 | 24 | 3 | 4 | 3 | 4 | 3 | 7 |
| Robert Vocisano In Trust for Bona Building & Management Co. | | | | | | | | | | |
| 295 Coventry Road, Ottawa, ON | 35 | 30 | 16 | 14 | 3 | 4 | 3 | 4 | | |
| SITQ Inc. | | | | | | | | | | |
| 5 Place Ville-Marie, Montreal, QC | 21 | 21 | 11 | 10 | 2 | 2 | 2 | 2 | 2 | |
| Smithe Street Holdings | | | | | | | | | | |
| Pivotal Building, Vancouver, BC | 23 | 23 | 11 | 12 | 2 | 3 | 2 | 2 | 2 | 1 |
| Sun Life Assurance Company of Canada and 1331430 Ontario Inc. | | | | | | | | | | |
| Clarica Complex, Ottawa, ON | | | | | | | | | | |
| Contract 1 of 2 | 41 | 30 | 6 | 24 | 3 | 3 | 3 | 3 | 3 | 9 |

## TABLE 11.3
## TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2008—*Concluded*

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and subsequently |
| Contract 2 of 2 | 15 | 12 | 1 | 11 | 1 | 2 | 1 | 2 | 1 | 4 |
| The Cadillac Fairview Corporation Ltd. | | | | | | | | | | |
| Sir Richard Scott Building, Ottawa, ON | 33 | 31 | 17 | 14 | 5 | 5 | 4 | | | |
| The Standard Life Assurance Company of Canada | | | | | | | | | | |
| Qualicum Towers, Ottawa, ON | 28 | 26 | 5 | 21 | 2 | 3 | 2 | 3 | 3 | 8 |
| Unimet Investments Ltd. | | | | | | | | | | |
| 605 Robson Street, Vancouver, BC | 12 | 12 | | 12 | 1 | 1 | 1 | 2 | 1 | 6 |
| WPBI Property Management Inc. | | | | | | | | | | |
| Place Bonaventure, Montreal, QC | 28 | 28 | 13 | 15 | 3 | 3 | 3 | 3 | 3 | |
| Z.V. Holdings Corporation | | | | | | | | | | |
| Constellation Crescent, Ottawa, ON | 30 | 25 | 4 | 21 | 2 | 3 | 2 | 3 | 2 | 9 |
| Other Operating Leases under 10 millions | 15 | 15 | | 15 | 4 | 4 | 2 | 1 | 1 | 3 |
| *Subtotal* | *2,246* | *2,093* | *766* | *1,327* | *177* | *206* | *156* | *131* | *97* | *560* |
| Consolidated Crown Corporations and Other Entities | | | | | | | | | | |
| Canadian Air Transport Security Authority | | | | | | | | | | |
| Clarica Centre | 29 | 29 | 17 | 12 | 3 | 3 | 3 | 3 | | |
| Canadian Broadcasting Corporation | | | | | | | | | | |
| Bell Canada | 121 | 121 | 65 | 56 | 18 | 18 | 18 | 2 | | |
| Cosette Communications Inc. | 17 | 17 | 3 | 14 | 7 | 7 | | | | |
| Morguard Investments | 151 | 151 | 24 | 127 | 7 | 7 | 7 | 7 | 7 | 92 |
| Satellite lease (Telesat) | 196 | 196 | 92 | 104 | 13 | 13 | 13 | 13 | 13 | 39 |
| Scott Construction Ltd. | 38 | 38 | 21 | 17 | 13 | 4 | | | | |
| SNC-Lavalin Profac Inc. | 201 | 201 | 31 | 170 | 32 | 33 | 34 | 35 | 36 | |
| Other | 45 | 45 | 4 | 41 | 6 | 6 | 6 | 7 | 4 | 12 |
| Canadian Commercial Corporation | | | | | | | | | | |
| Office Lease | 21 | 21 | | 21 | 1 | 1 | 1 | 2 | 2 | 14 |
| Canada Council for the Arts | | | | | | | | | | |
| Operating leases | 37 | 29 | 4 | 25 | 4 | 4 | 4 | 4 | 4 | 5 |
| International Development Research Centre | | | | | | | | | | |
| Omers Realty Corporation | 89 | 89 | 2 | 87 | 5 | 5 | 5 | 5 | 6 | 61 |
| National Capital Commission | | | | | | | | | | |
| Chambers Building, Ottawa, ON | 198 | 198 | 75 | 123 | 9 | 9 | 9 | 10 | 10 | 76 |
| Telefilm Canada | | | | | | | | | | |
| Rental of offices and other commitments | 11 | 11 | | 11 | 2 | 2 | 2 | 1 | 2 | 2 |
| VIA Rail Canada Inc. | | | | | | | | | | |
| SITQ, Montreal | 21 | 21 | 4 | 17 | 2 | 3 | 3 | 3 | 3 | 3 |
| Union Station, Toronto | 198 | 198 | 17 | 181 | 3 | 3 | 3 | 3 | 3 | 166 |
| Canadian National Railway | 99 | 99 | 48 | 51 | 4 | 4 | 4 | 5 | 5 | 29 |
| IBM Canada Ltd. | | | | | | | | | | |
| VIAnet Service Agreement | 27 | 27 | 8 | 19 | 2 | 2 | 3 | 3 | 3 | 6 |
| *Subtotal* | *1,499* | *1,491* | *415* | *1,076* | *131* | *124* | *115* | *103* | *98* | *505* |
| **Total operating leases** | **3,745** | **3,584** | **1,181** | **2,403** | **308** | **330** | **271** | **234** | **195** | **1,065** |
| **Grand total** | **132,957** | **128,901** | **63,410** | **65,491** | **14,451** | **10,986** | **6,129** | **4,587** | **3,743** | **25,595** |

(1) The amount shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this obligation were first reported in the *Public Accounts of Canada*, plus the outstanding obligation reported at fiscal year end.

(2) This figure reflects the total estimated remaining contractual obligations which extend for periods up to 35 years.

### International Contractual Obligations

Table 11.4 summarizes the international contractual obligations according to whether they would result in the disbursement of funds for budgetary transfer payments, loans and advances and contractual obligations.

International contractual obligations reported in this table include transfer payments, loans and advances to international organizations as well as loans for the development of export trade (administered by Export Development Canada), which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 11.4 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 2008.

Table 11.4 presents information that is summarized in Note 13 to the financial statements in Section 2 of this volume.

**TABLE 11.4**
INTERNATIONAL CONTRACTUAL OBLIGATIONS
(in millions of dollars)[1]

| | Transfer payments | Undisbursed loans and advances | Future paid-in share capital | Total |
|---|---|---|---|---|
| BUDGETARY TRANSFER PAYMENTS, LOANS AND ADVANCES | | | | |
| African Development Fund | 31 | 302 | | 333 |
| Asian Development Fund | | 51 | | 51 |
| Caribbean Development Bank – Special | | 14 | | 14 |
| Development of export trade (administered by Export Development Canada) | | 2 | | 2 |
| Inter-American Development Bank | | 22 | | 22 |
| International Fund for Agricultural Development | | 12 | | 12 |
| International Development Association | 90 | 1,153 | | 1,243 |
| Global Environment Facility (GEF) Fund | | 109 | | 109 |
| Montreal Protocol Fund | | 5 | | 5 |
| Total | 121 | 1,670 | | 1,791 |

[1] Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2008 (1$US = $1.0265 Cdn; 1SDR = $1.68808 Cdn).

Note: Canada has agreed to lend the Poverty Reduction and Growth Facility special drawing rights (SDR) 700 million of which SDR 700 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 190 million has been paid-in.

## Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. Contingent liabilities are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably estimated. The contingent liabilities of the Government are grouped into: Guarantees, International Organizations, Contaminated Sites, Claims and Pending and Threatened Litigation, and Insurance Programs. Additional information regarding each category is provided below.

For details of contingent liabilities of consolidated Crown corporations, refer to Table 4.3 "Contingent Liabilities of Consolidated Crown Corporations and Other Entities" in Section 4 of this volume. Particulars of contingent liabilities of enterprise Crown corporations and other government business enterprises are not consolidated with those of the Government but details of these contingencies may be found in Table 9.8 "Contingent Liabilities of Enterprise Crown Corporations and other Government Business Enterprises" in Section 9 of this volume.

### Guarantees

Guarantees of the Government include:

- guarantees of the borrowings of agent enterprise Crown corporations and other government business enterprises;
- guarantees of certain loans made by agent enterprise Crown corporations;
- guarantees, either collective or specific, of the loans of certain individuals and companies obtained from the private sector;
- insurance programs of the Government; and
- other explicit guarantees.

Losses on loan guarantees are recorded in the accounts when it is likely that a payment will be made to honour a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations and other government business enterprises are recorded as liabilities for the portion not expected to be repaid directly by these corporations.

Table 11.5 lists the outstanding guarantees and is summarized in Note 14 to the financial statements in Section 2 of this volume.

## TABLE 11.5
GUARANTEES BY THE GOVERNMENT
AS AT MARCH 31, 2008

| | Authorized limit (where applicable)[1] | Contingent liability |
|---|---|---|
| | $ | $ |
| GUARANTEES BY THE GOVERNMENT | | |
| Borrowings by enterprise Crown corporations which are agents of Her Majesty | | 171,042,298,000[2] |
| Borrowings by other than enterprise Crown corporations | | |
| From agents | | |
| Loans to Indians by the Canada Mortgage and Housing Corporation for on-reserve housing | 1,700,000,000 | 990,826,453[3] |
| From other than agents | | |
| Guarantee programs of the Government | | |
| Aboriginal economic program | | 644,685 |
| *Advance Payments for Crops Act* | 5,000,000,000 | 611,509,444 |
| *Canada Student Loans Act* | 10,781,963,150 | 129,559,769 |
| Enterprise development program | 1,200,000,000 | 212,300 |
| *Farm Improvement Loans Act* and *Farm Improvement and Marketing Cooperatives Loans Act* | 3,000,000,000 | 128,998,543 |
| Indian economic development program | 60,000,000[4] | 821,474 |
| Loans to Indians by approved lenders for on-reserve housing | | 691,525,481[3] |
| Regional Aircraft Credit Facility | 1,500,000,000 | 178,073,790 |
| *Small Business Loans Act* | 3,144,208,028 | 789,799,753 |
| Other explicit loan guarantees | | |
| National biomass ethanol program | 140,000,000 | 24,960,000 |
| Insurance programs of the Government | | |
| Accounts administered for the Government by the Export Development Canada – Insurance and related guarantees | 13,000,000,000[5] | 467,964,716 |
| Insurance against accidents at nuclear installations under the *Nuclear Liability Act*[6] | 1,050,000,000 | 582,824,127 |
| Other explicit guarantees | | |
| Guarantees under the *Enhanced Spring Credit Advance Program* | 1,500,000,000 | 10,518,399 |
| Guarantees to holders of mortgages insured by: | 200,000,000,000[7] | |
| Genworth Financial Mortgage Insurance Company of Canada | | 1,519,626,522 |
| AIG United Guaranty Mortgage Insurance Company of Canada | | 53,917,345 |
| PMI Mortgage Insurance Company of Canada | | 2,053,474 |
| Guarantees under Section 19 of the *Canadian Wheat Board Act* | | 4,017,703,000[8] |
| Guarantees under the *Agricultural Marketing Programs Act* | | 8,763,876 |
| Total gross guarantees | 242,076,171,178 | 181,252,601,151 |
| Less: allowance for losses | | 602,108,187 |
| Total net exposure under guarantees | | 180,650,492,964 |

[1] The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

[2] Details can be found in Table 9.6 in Section 9 of this volume.

[3] Department of Indian Affairs and Northern Development authorized a limit of $1,700 million by Parliament (as shown above), to issue guarantees on loans made by the Canada Mortgage and Housing Corporation (CMHC) and other approved lenders, for housing purposes, and to issue guarantees on loans made by the Farm Credit Canada (FCC) for farming purposes. The contingent liability amounts related to guaranteed loans for On-Reserve Housing include $991 million by CMHC and $691 million by other approved lenders.

[4] The maximum aggregate amount that may be paid out of the Consolidated Revenue Fund and/or outstanding as a contingent liability in the current and subsequent years in respect of all guarantees authorized under Vote L53b shall be $60 million. As at March 31, 2008, $28 million had been disbursed in cumulative defaults as well there were outstanding contingent liabilities totaling $1 million leaving a free balance of $32 million available to issue further guarantees.

[5] The *Export Development Act* specifies that Export Development Canada (EDC) may enter into contracts of insurance, re-insurance, related guarantees, financing and other agreements up to the authorized limit of $13 billion. In total, EDC has $3.3 billion outstanding against this limit, consisting of $0.5 billion in contingent liabilities and $2.8 billion in financing.

[6] There have been no claims under the *Nuclear Liability Act* since its inception in 1970.

[7] The aggregate limit for all private sector mortgage insurers that have a guarantee with the government is $200 billion.

[8] The Government guarantees the payment of present and future liabilities, indebtedness, or other obligations of the Canadian Wheat Board.

## International Organizations

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations.

Table 11.6 details the contingent liabilities for international organizations and is summarized in Note 14 to the financial statements in Section 2 of this volume.

**TABLE 11.6**
INTERNATIONAL ORGANIZATIONS
CONTINGENT LIABILITIES
(in millions of dollars)[1]

| | Callable share capital |
|---|---|
| NON-BUDGETARY SHARE CAPITAL AND LOANS — | |
| African Development Bank | 1,167 |
| Asian Development Bank | 2,171 |
| Caribbean Development Bank | 50 |
| International Bank for Reconstruction and Development (World Bank) | 5,203 |
| Multilateral Investment Guarantee Agency | 47 |
| European Bank for Reconstruction and Development | 629 |
| Inter-American Development Bank | 3,969 |
| Total | 13,236 |

[1] Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2008 (1SUS = $1.0265 Cdn; 1SDR = $1.68808 Cdn).

## Contaminated Sites

Based on management's best estimates, a liability for the estimated costs related to the management and remediation of contaminated sites and unexploded explosive ordnance affected sites is accrued when the contamination occurs, or when the Government becomes aware of the contamination, and is obligated or likely obligated to incur such costs. As at March 31, 2008, the Government has recorded a liability of $3,661 million for approximately 2,390 sites ($3,134 million in 2007 for approximately 2,660 sites-restated).

The Government has estimated possible additional clean-up costs of $2,203 million ($3,243 million in 2007) that are not accrued as these are not considered likely to be incurred at this time. The change in contingent liabilities related to contaminated sites and unexploded explosive ordnance affected sites is due to the additional information gathered during 2007-2008 which enabled the potential liability for certain sites to be more accurately estimated. The Government's ongoing efforts to assess contaminated sites and unexploded explosive ordnance affected sites may result in additional liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These adjustments will be accrued in the year in which they become known.

## Claims and Pending and Threatened Litigation

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. The total amount claimed in these actions, including a number where an amount is not specified, and their outcomes are not determinable.

The Government records an allowance for those cases identified as likely to be lost and which can be reasonably estimated. All other cases, excluding those assessed as unlikely to be lost, are considered contingent liabilities. As at March 31, 2008, contingent liabilities for claims and pending and threatened litigation have been estimated to approximate $5,400 million ($5,800 million in 2007). This estimate of possible loss covers only a portion of all claims against the Government. The total contingency relating to pending claims is not determinable. Certain large and significant claims not included in the estimate of contingent liabilities, are described below:

Comprehensive land claims: Comprehensive land claims are negotiated in areas where aboriginal title has not been dealt with by treaty or by other legal methods. In such cases, the claim is based on an aboriginal group's traditional use and occupancy of that land. There are currently 75 comprehensive land claims (71 comprehensive land claims) under negotiation, accepted for negotiation or under review. A liability of $3,400 million ($3,400 in 2007-restated), is estimated for claims that have progressed to a point where quantification is possible. The remaining claims are still in the early stages of negotiations and cannot yet be quantified.

Assessed taxes under objection or appeal: As at March 31, 2008, an amount of $10,353 million ($10,027 million in 2007) of taxes assessed was under objection at Canada Revenue Agency and an amount of $2,134 million ($2,164 million in 2007) was being appealed to either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

Other: In September 1999, the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* were amended to enable the federal government to deal with excess amounts in the superannuation accounts and pension funds governed by these Acts. The legal validity of these provisions has since been challenged in the courts. The outcome of these lawsuits and the estimated financial impact, which could be significant, is not determinable at this time.

## Insurance Programs

An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. The Canada Deposit Insurance Corporation, Canada Mortgage and Housing Corporation, and Export Development Canada currently operate insurance programs as agents of Her Majesty. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition.

The insurance programs are intended to operate on a self-sustaining basis. However, in the event the corporations have insufficient funds, the Government will have to provide financing. The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Information presented in Table 11.7 has not been audited since the information presented therein is derived from interim financial statements. Additional financial information relating to these corporations may be found in the "*President of the Treasury Board's Annual Report to Parliament - Crown Corporations and Other Corporate Interests of Canada*".

In Table 11.7, a minus "–" sign preceding the amount reported indicates a fund deficit, an expense recovery or adjustment, or a decrease or loss during the year. Information contained in this table is summarized in Note 15 to the financial statements in Section 2 of this volume.

**TABLE 11.7**

SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2008

(in millions of dollars)

| | Canada Deposit Insurance Corporation[1] | | Canada Mortgage and Housing Corporation[2] | | | | Export Development Canada[3] | |
|---|---|---|---|---|---|---|---|---|
| | | | Mortgage Insurance Fund | | Mortgage-Backed Securities Guarantee Fund | | | |
| | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 | 2007-2008 | 2006-2007 |
| Insurance in force as at reporting date | 477,350 | 455,414 | 349,754 | 294,699 | 176,178 | 131,719 | 18,287 | 15,658 |
| Opening balance of Fund/Allowance | 948 | 843 | 5,415 | 4,437 | 260 | 215 | | [4] |
| Revenues for the period | | | | | | | | |
| Premiums and fees | 68 | 75 | 1,383 | 1,240 | 72 | 50 | 147 | 149 |
| Investment income | 65 | 56 | 729 | 614 | 27 | 20 | | |
| Other revenues | 1 | | 7 | 1 | 4 | 3 | | |
| Total revenues | 134 | 131 | 2,105 | 1,855 | 103 | 73 | 147 | 149 |
| Expenses for the period | | | | | | | | |
| Loss on/provision for claims | 49 | 7 | 312 | 224 | | | 44 | 4 |
| Interest on borrowing | | 7 | 86 | 224 | | | | 4 |
| Administrative expense | 23 | 21 | 153 | 115 | 4 | 3 | | |
| Other expenses (includes taxes) | 14 | 12 | 482 | 490 | 35 | 25 | 35 | 8 [4] |
| Total expenses | 86 | 19 | 1,033 | 1,053 | 39 | 28 | 9 | 16 |
| Net income/loss (-) for the period | 48 | 112 | 1,072 | 802 | 64 | 45 | 138 | 133 |
| Closing balance of Fund/Allowance | 996 | 955 | 6,487 | 5,239 | 324 | 260 | | [4] |
| Net claims during the period [5] | | 5 | 205 | 325 | * | * | 50 | 31 |
| Five year average of net claims paid | | | 201 | 196 | * | * | 33 | 43 |

* Not applicable.

[1] The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to $100,000 per depositor, per institution. The Corporation is funded by premiums assessed against it's member institutions.

[2] Canada Mortgage and Housing Corporation (CMHC) administers two funds: the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund (MBSGF). The MIF provides insurance for a fee, to lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by lending institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF is produced as of September 30 of each year. The Corporation determines provisions for claims and unearned premiums at December 31 using valuation factors taking into account new business, claims and interest for the last quarter. The MBSGF supports two CMHC guarantee products: *National Housing Act* (NHA) Mortgage Backed Securities and Canada Mortgage Bonds.
The Mortgage Backed Securities (MBS) program was implemented in 1987. For a guarantee fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of monthly principal and interest to MBS investors who participate in a pool of insured residential mortgages which have been repackaged by the financial institution into investments which can be sold to investors in denominations as low as $1,000. The Canada Mortgage Bond (CMB) program was implemented in 2001. Under this program, bonds are issued by a special purpose trust known as Canada Housing Trust and sold to investors in denominations as low as $1,000. The proceeds of the bonds are used to purchase mortgages packaged into newly issued NHA MBS. Canada Mortgage Bonds of $127,566 million ($96,547 million in 2007) issued by the Trust carry the full faith and credit of the Government of Canada and the timely payment of semi-annual interest and principal at maturity is guaranteed by the Government of Canada through CMHC.

[3] Export Development Canada (EDC) provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance program has been adequate to provide for the full cost of claims experienced to date and for the cost of future claims established based on previous claims experience. The Corporation does not maintain a separate fund for its insurance program and therefore the balance of the fund is not available. EDC maintains an allowance for claims on insurance which is based on an actuarial review of net loss experience and potential net losses. The balance of the allowance is $396 million ($439 million in 2007). Comparative figures have been restated to conform to the current year's presentation.

[4] For Export Development Canada, other expenses represent the foreign exchange gain or loss on the allowance for claims as well as claim expenses incurred.

[5] Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

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# SECTION 12

2007-2008

*PUBLIC ACCOUNTS OF CANADA*

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